CBRE|WTW RESEARCH | APAC

REAL ESTATE MARKET OUTLOOK 2020

MALAYSIA

CBRE | WTW

60 YEARS CBRE | WTW

INTRODUCTION

FOO GEE JEN
MANAGING DIRECTOR
CBRE | WTW

'WHEN WILL THE MARKET IMPROVE? The property market regained some strength in 2019, the underlining optimism attributable to continued market resilience and market players who have remained unwavering despite the economic turbulence.

On the broader front, over-supply, down trending transactions, weaker prices are symptoms of market uncertainty which may be due to inconsistency of government policies and lack of comprehensive and timely market information.

While over-supply is currently found in almost all sectors, this could be addressed in the mid-term if the economy turns around to prospects of high sustainable growth from its current outlook of uncertainty and doldrums. Bottom line, we want carefully crafted government policies which are then implemented consistently, long term.

FORMATION

CBRE | WTW entered into an agreement in May 2016 to form a joint venture to provide a deep, broad service offering for the clients of both firms. This combines Malaysia's largest real estate services provider, WTW's local expertise and in-depth relationships in Malaysia with CBRE's global reach and broad array of market leading services.

The union of CBRE and WTW is particularly significant because of our shared history. In the1970s, CBRE acquired businesses from WTW in Singapore and Hong Kong, which remain an integral part of CBRE's Asian operations.

The wider WTW Group comprises a number of subsidiaries and associated offices located in East Malaysia including:

- C H Williams Talhar Wong & Yeo Sdn Bhd (1975)
- C H Williams Talhar & Wong (Sabah) Sdn Bhd (1977)
- C H Williams Talhar & Wong (Brunei) Sdn Bhd

ABOUT WTW

Colin Harold Williams established C H Williams & Co in Kuala Lumpur in 1960. C H Williams & Company merged in 1974 with Talhar & Company founded by Mohd Talhar Abdul Rahman and the inclusion of Wong Choon Kee to form C H Williams Talhar & Wong (WTW).

In 1975, C H Williams Talhar Wong & Yeo (WTWY) was established in Sarawak. C H Williams Talhar & Wong (Sabah) (WTWS) was established in 1977.

The current management is headed by Group Chairman, Mohd Talhar Abdul Rahman.

The current Managing Directors of the WTW Group operations are:

- CBRE | WTW: Foo Gee Jen
- C H Williams Talhar & Wong (Sabah) Sdn Bhd: Leong Shin Yau
- C H Williams Talhar Wong & Yeo Sdn Bhd: Robert Ting Kang Sung

ABOUT CBRE

CBRE Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm (in terms of 2014 revenue). The Company has more than 70,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 400 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

TABLE OF CONTENTS

ECONOMY & UPDATES ON MAJOR POLICY/ INFRASTRUCTURE

MODERATE PERFORMANCE

GDP growth was moderate at 4.4% in 3Q 2019 (3Q 2018: 4.4%; 2Q 2019: 4.9%) and is expected to be within Bank Negara Malaysia's 2019 projections (4.3%-4.8%).

Private consumption increased by 7.0% (2Q 2019: 7.8%) in line with the long term trend while private investment expanded by 0.3% (2Q 2019: 1.8%).

Public investment further shrank (3Q 2019: -14.1%; 2Q 2019: -9.0 %) while public consumption slightly increased by 1.0% in 3Q 2019 (2Q 2019: 0.3%).

Foreign Direct Investment (FDI) decreased to RM2.9 billion as compared to RM4.4 billion during 2Q 2019.

Exports decreased 1.9% y-o-y to RM247.0 billion (3Q 2018: RM251.8 billion) while imports also decreased 5.8% to RM213.5 billion. The trade surplus was RM33.5 billion (2Q 2019: RM30.4 billion).

The services and manufacturing sectors remained the growth drivers: 5.9% (2Q 2019: 6.1%), and 3.6% (2Q 2019: 4.3%), respectively. The inflation rate was 1.3% in 3Q 2019 (2Q 2019: 0.7%).

Labour market conditions were stable with employment growth at 2.1% (2Q 2019: 2.1%). The unemployment rate remained unchanged at 3.3%.

LENDING AND LIQUIDITY

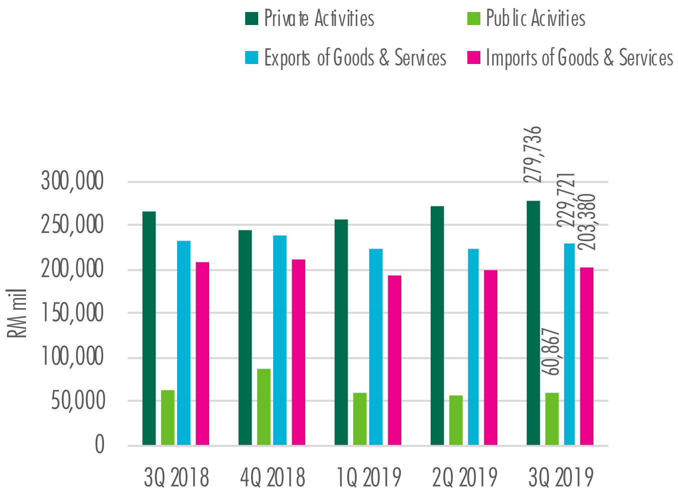
Total lending as at 3Q 2019 was RM1.74 trillion, up 4% y-o-y (3Q 2018: RM1.68 trillion). The Overnight Policy Rate (OPR) has reduced to 3.00% in May 2019.

Household loans including property loans expanded y-o-y (3Q 2019: 30.1%, 3Q 2018: 29.4%). A slight rise in the residential loans approval rate was seen (3Q 2019: 44.2%; 3Q 2018: 40.2%). Value of loans approved for residential properties 3Q 2019 was RM30.5 billion (3Q 2018: RM27.3 billion).

GLOBAL RISKS AND UNCERTAINTIES

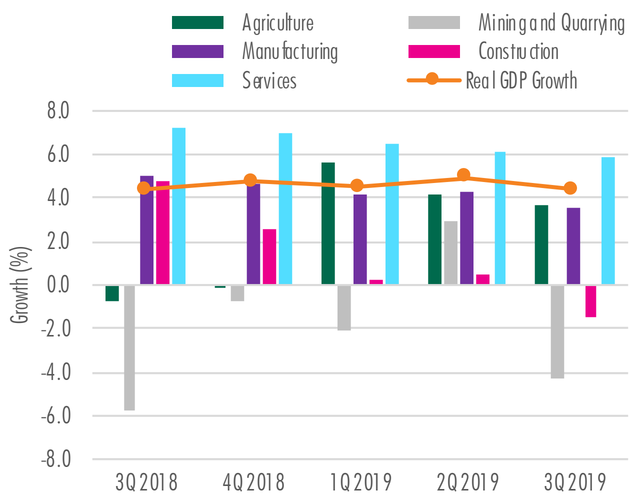
Budget 2020 focused on maintaining the status quo, which may not be the wisest option. Bold, new decisive policies are needed to attract foreign investors as well as local entrepreneurs. Investors being asked to take huge risks as global headwinds increase and competition intensifies, need to be assured that the rewards they reap from taking these risks will not be lost from inconsistent government policies and support.

CONTRIBUTION OF EXPENDITURE COMPONENTS TO REAL GDP GROWTH



Source: Bank Negara Malaysia, CBRE | WTW Research

GDP GROWTH BY SECTORS



Source: Bank Negara Malaysia, CBRE | WTW Research

UPDATES ON MAJOR POLICY/INFRSTRUCTURE

MALAYSIA

MAJOR POLICY			
DESCRIPTION	AUTHORITY/AGENCY	EFFECTIVE DATE	REMARKS
Fund for Affordable Homes	Bank Negara Malaysia	1 September 2019 to 31 December 2020, or until the fund is exhausted.	Maximum monthly household income increased to RM4,360, maximum property unit price increased to RM300,000.
Real Property Gains Tax (RPGT)	Ministry of Finance (MOF)	1 January 2020	The base year for asset acquisition revised from January, 2000 to January, 2013.
Quit Rent	Federal Territories Land and Mines Office	1 January 2020	Quit rent for strata properties will now be payable individually, to be known as Parcel Rent.
Minimum Value of Property for Foreign Acquisition (revision) in Sarawak	Sarawak Government	23 May 2019	The prescribed amount for foreign acquisition of landed residential property shall be not less than RM500,000 (throughout the State of Sarawak except Kuching), and shall be not less than RM600,000 for Kuching Division.
Minimum Value of Residential Home Ownership by Foreigners in Sabah	Sabah Government	1 January 2020	The threshold level for residential home ownership by foreigners have been lowered to RM750,000 from RM1 million. Applicable only for residential homes that have been issued with Occupation Certificate and remain unsold for more than 9 months.

MAJOR INFRASTRUCTURE			
PROJECTS	LOCATION	COMPLETION YEAR	REMARKS
RAIL			
East Coast Rail Link (ECRL)	Port Klang, Selangor - Kota Bharu, Kelantan	2026	Dungun to Mentakab Section - under construction
Electrified Double Track Project (EDTP) Gemas-Johor Bahru	Gemas - Johor Bahru	2021	Under construction
Rapid Transit System (RTS)	Bukit Chagar – Woodlands, Singapore	Beyond 2024	Revised and subject to the Government's confirmation
LRT Line 3	Bandar Utama - Klang	2024	Under construction
MRT 2 (SSP Line)	Sungai Buloh - Putrajaya	2022	Under construction
HIGHWAY/EXPRESSWAY			
Damansara-Shah Alam Highway (DASH)	Sungai Penchala – Shah Alam	2020	Under construction
East Klang Valley Expressway (EKVE)	Sungai Long - Ukay Perdana	2020	Under construction
Lebuhraya Putrajaya-KLIA (MEX II)	MEX - KLIA - KLIA 2	2020	Contract awarded
Pan-Borneo Highway	Tawau - Kuching	2022/2023	Under construction
Sungai Besi-Ulu Kelang Elevated Expressway (SUKE)	Sungai Besi - Cheras - Ampang - Ulu Kelang	2020	Under construction
West Coast Expressway (WCE)	Taiping - Sabak Bernam - Banting	2022	Completed section 5, 9, 10
OTHERS			
West Port Expansion (380 acres land under the sea)	West Port, Port Klang	2040	Under construction (2 terminals to be completed by 2021)

PROPERTY MARKET OVERVIEW

MALAYSIA

	OVERALL		LANDED RESIDENTIAL		HIGH RISE RESIDENTIAL		PURPOSE-BUILT OFFICE		SHOP-OFFICE		RETAIL		INDUSTRIAL		HOTEL	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
KLANG VALLEY																
Klang Valley	▶	▶	▶	▲	▶	▶	▼	▼	▶	▶	▶	▶	▶	▲	▶	▲
Seremban	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
PENANG																
Penang	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Alor Setar	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Ipoh	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
ISKANDAR MALAYSIA																
Iskandar Malaysia	▶	▶	▶	▶	▼	▼	▼	▼	▶	▶	▼	▼	▶	▶	▶	▶
Melaka	▶	▶	▲	▲	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Batu Pahat	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
EAST COAST																
Kuantan	▼	▶	▼	▶	▼	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kota Bharu	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Kuala Terengganu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
SABAH																
Kota Kinabalu	▶	▶	▶	▶	▼	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶
Lahad Datu	▶	▶	▼	▶	-	-	-	-	▶	▶	▶	▶	▶	▶	-	-
Tawau	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Sandakan	▶	▶	▶	▶	▶	▶	-	-	▶	▶	▶	▶	-	-	▶	▶
Labuan	▶	▶	▼	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
SARAWAK																
Kuching	▶	▶	▶	▶	▼	▶	▶	▶	▶	▶	▶	▼	▶	▶	-	-
Miri	▶	▶	▲	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▲	▶	▲
Bintulu	▶	▶	▶	▲	▶	▶	▶	▶	▶	▼	▼	▼	▶	▶	▶	▶
Sibu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶	▶	▲	▶	▶

KLANG VALLEY

Malaysia's property market gained traction as transaction activity in 3Q 2019 went up by 5.6% to 83,186 transactions and 4.7% to RM34.7 billion respectively from the same time last year.

Klang Valley (KV), which constitutes about one-quarter of Malaysia's property market, grew by 1.3% in volume to 77,241 in 2018 but transaction value declined by 2.7% from 2017 to RM65.7 billion.

3Q 2019 saw an improvement when transaction volume expanded 7.7% (20,626 transactions) while value increased 13.7% (RM15.8 billion).

RESIDENTIAL TRANSACTIONS INCREASED, BUT OVERHANG ALSO UP

As of 3Q 2019, residential sector in the KV reported 8.7% growth in transactions to 15,973 units and 4.2% to RM8.33 billion in value from a year ago.

KV's residential overhang increased by 5.1% y-o-y and 2.4% q-o-q in 3Q 2019 to 12,007 units. Close to one-third of the overhang in KV was made up of residential properties priced between RM200,000 and RM500,000.

ALL QUIET ON THE OFFICE FRONT

4 new office buildings increased purpose-built office space in KV to 111.9 million square feet. Vacancy rate rose by 1.0% y-o-y (3Q 2018: 18.6%) and may breach the 20% mark by 2022 in view of the 10.23 million square feet in the pipeline.

The average office rental rate and yield were at RM6.95 per square foot and 5.5% - 6.0% respectively as of 3Q 2019. Exchange 106, Sapura HQ, HSBC HQ and Affin HQ – each housing more than half a million square feet of space – are upcoming completions.

RETAIL UNCHANGED

The retail sector is also expected to remain status quo with generally healthy retail revenue and sustained shopper footfalls; same occupancy and rental rates.

The incoming supply of retail space outside Kuala Lumpur is 5.6 million square feet compared to 1.49 million square feet in Kuala Lumpur city.

INDUSTRIAL STILL BRIGHT

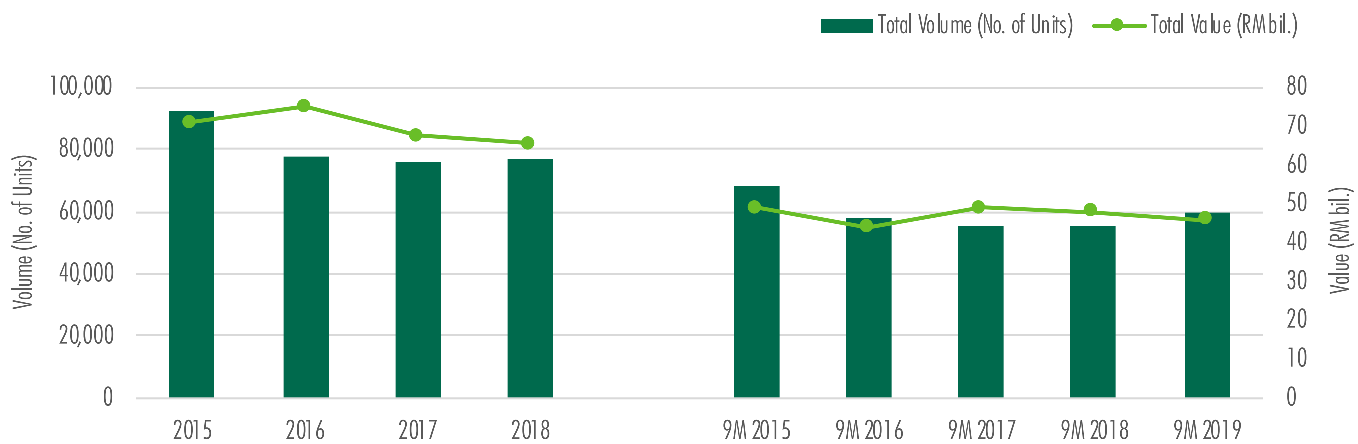
The industrial sector continues to be the bright spot as approved investments for manufacturing from January to June 2019 in KV was RM5.99 billion of which 63% was contributed by foreign investment.

Major highlights in the KV's industrial market would be the West Coast Expressway (WCE) that will boost connectivity and spur the logistics activities. The ongoing development of Digital Free Trade Zone (DFTZ) in Sepang is anticipated to stimulate higher growth in air logistics activities.

HOTEL/TOURISM THE OTHER BRIGHT SPOT

Tourist arrivals for Malaysia rose by 4.9% y-o-y from January to June 2019. Average occupancy rate (AOR) of hotels in and outside Kuala Lumpur was 81% and 64% respectively in 3Q 2019 while the average room rate (ARR) increased marginally to RM260 per room.

TRANSACTION ACTIVITIES IN KLANG VALLEY



Abbreviation: bil. = billion
Source: NAPIC, CBRE | WTW Research

PENANG

The Penang property market remained flattish in 2019 as the market activity continued to be lacklustre. The subdued market would extend to 2020. Under such prevailing market condition there are opportunities for good buys including for land banking. The implementation of the Penang Transport Master Plan (PTMP) and major land reclamation projects are set to be the main catalysts and provide new opportunities for the property market.

PREVAILING FLATTISH MARKET TO CONTINUE

The activity of property transactions in Penang continued to be lacklustre through Jan – Sept 2019. According to the recently released statistics of NAPIC, a total of 12,647 properties were transacted in Penang State in Jan – Sept 2019, representing a marginal increase of 0.4% compared to the corresponding period of Jan – Sept 2018.

The total value of properties transacted in Penang State was approximately RM6.51 billion in Jan – Sept 2019, a reduction of 13.0% as compared to the corresponding period of Jan – Sept 2018.

The prevailing subdued market would extend to 2020 due to the challenging market scenario as well as lack of boosters in the property market.

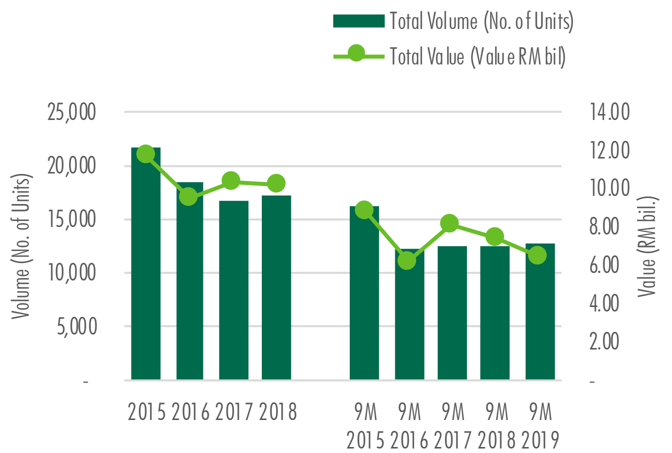
OPPORTUNITIES IN BUYERS' MARKET

According to the recently released property overhang data as at 2Q 2019 by NAPIC, the volume and value of unsold units remain a concern. Residential properties continued forming the bulk of the property overhang in terms of total units and value of unsold units in Penang State. Under the buyers' market, there are opportunities for good buys. There have also been increased interest by prospective purchasers from Hong Kong for residential properties in Malaysia, including Penang, due to the current unrest and chaos in in their country.

OPPORTUNE TIME FOR LAND BANKING

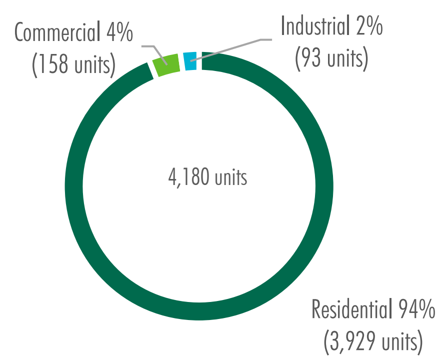
As land owners rationalise their property portfolio under the prevailing lacklustre market, more lands are made available for sale. Hence, it is an opportune time for developers and investors, with the financial strength and appetite, to enhance their land bank.

VOLUME AND VALUE OF PROPERTY TRANSACTION (2015 - JAN TO SEPTEMBER 2019)

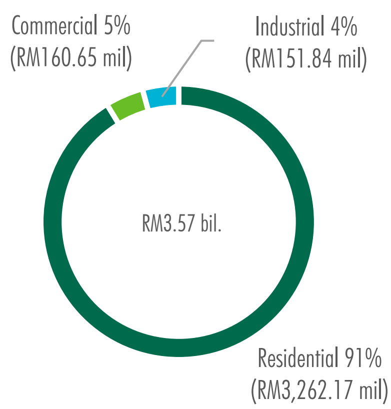


Abbreviation: bil. = billion
Source: NAPIC, CBRE | WTW Research

VOLUME OF UNSOLD UNITS (2Q 2019)



VALUE OF UNSOLD UNITS BY SECTOR (2Q 2019)



Abbreviation: bil. = billion ; mil = million
Source: NAPIC, CBRE | WTW Research

In 2019, developers which have entered into Sale and Purchase Agreements to acquire sizeable lands in Seberang Perai include Tambun Indah Land Berhad (land at Simpang Ampat) and Scientex Berhad (land at Tasek Gelugor).

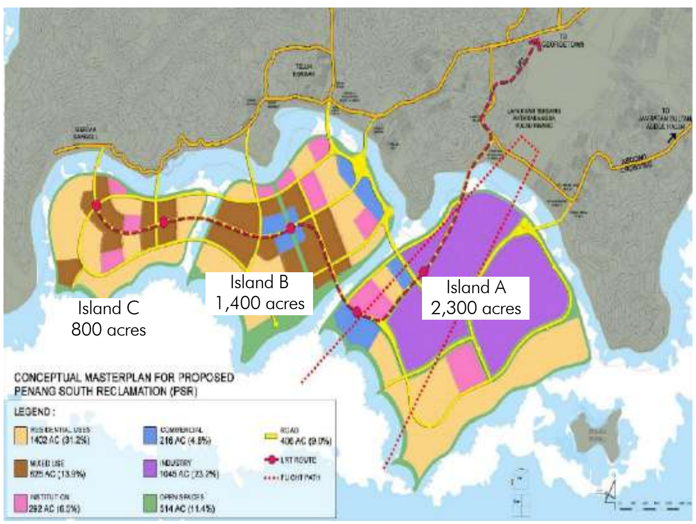
Sizeable development land will also be made available from land reclaimed for the future phases of The Light township, and the ongoing reclamation of Seri Tanjung Pinang Phase 2 and the foreshores of Gurney Drive and Queensbay area.

The Penang State Government is set to implement the Penang South Reclamation (PSR) project, the development of three man-made islands with a total size of nearly 4,500 acres. The Environmental Impact Assessment (EIA) report of the PSR project has received conditional approval and a masterplan design competition has been rolled out inviting multi-disciplinary consortiums to provide a development concept for PSR.

PENANG TRANSPORT MASTER PLAN

The Penang Transport Master Plan (PTMP) will set the framework for an integrated and modern transport system. The priority projects to be delivered under PTMP are the Bayan Lepas LRT (BL LRT) line, the Pan Island Link 1 (PIL 1) Highway and Package 2 of the Paired Highway (Air Itam-Tun Dr Lim Chong Eu Expressway).

The proposed BL LRT line as the first LRT system in Penang, will provide direct airport transit to major destinations on the island. Final alignment approval followed by planning, design and tender process is scheduled to be completed by 2020.



Proposed Penang South Reclamation (PSR)
Source: PSR EIA Report

The proposed PIL 1 Highway will alleviate traffic congestion on the Tun Dr Lim Chong Eu (LCE) Expressway and adjacent arterial roads. It has been approved by DOE and the tendering of the project is reported to be in the process.

Package 2 of the Paired Highway (Air Itam-Tun Dr Lim Chong Eu Expressway) will connect the Air Itam portion of the Thean Teik Expressway to the Tun Dr Lim Chong Eu Expressway near the Marine Department. Preliminary works has started and major construction will begin by 1Q 2020. PTMP together with the land reclamation projects are expected to be the main catalysts to provide new opportunities for the property market.

Bayan Lepas LRT Line
Source: Penang Transport Master Plan website

ISKANDAR MALAYSIA

Iskandar Malaysia's property market is expected to move at a slow pace. The region continued to lure direct investments from local and foreign investors as confirmation of the Rapid Transit System provided some excitement.

TRANSACTION ACTIVITY RECOVERING

In the first nine months of 2019, 16,709 properties were transacted in Iskandar Malaysia (IM), a growth of 2% as compared to 16,358 properties in the corresponding period of 2018. Total value amounted to RM9,399 million, a growth of 7% from RM8,746 million in 1Q - 3Q 2018.

MODERATE SECTOR PERFORMANCE

Landed residential remained stable while high-rise residential continued to be plagued by oversupply. House buyers shifted to the primary market, thanks to government initiatives encouraging price discounts.

The purpose-built office sector in 2019 saw vacancy rates rise due to the influx of new office buildings in recent years. Downward adjustment for rental rates are expected as the building owners compete for tenants.

For the retail sector, IM welcomed 5 new shopping malls in 2019. Shopping malls which are located at strategic locations and well-designed for various activities will command high occupancy rates and footfall.

The hotel sector remained healthy in the short term with another 4 hotel projects launched in 2019, adding up to 12 on-going projects. The recent completion of several serviced apartment projects and increasing trend of apartments online booking has undeniably exacerbated the competitiveness of the hotel market.

COMMITTED INVESTMENT GROWING

The industrial sector remained active with both transaction volume and value of industrial properties showing positive growth. The total approved investments in the manufacturing sector for Johor state was RM4 billion in 1H 2019.

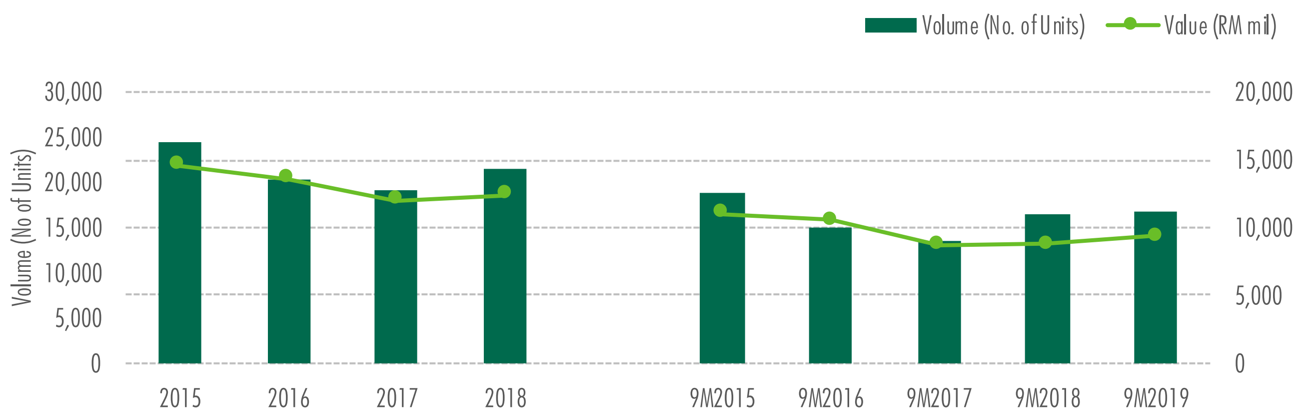
IM has successfully secured committed investments of RM16.75 billion in first half of 2019, bringing the total cumulative committed investment to RM302.09 billion of which approximately 57% (or RM172.3 billion) has been realised.

Mainland China led foreign investments with a total commitment of RM40.65 billion. The investments are mainly in mega property developments such as Country Garden Danga Bay, Country Garden Central Park, Forest City, R&F Princess Cove, Greenland Jade Palace, et cetra. Singapore is ranked second, mainly invested in the manufacturing, healthcare and education sectors.

ISKANDAR MALAYSIA TO BE EXPANDED

The area of IM is currently under planning to be expanded, i.e. doubled up from 2,217 square km to 4,749 square km, including Simpang Renggam and Renggam in Kluang district, Pontian town in Pontian district, and Pengerang and Desaru in Kota Tinggi district. The region will then be named Greater Iskandar Malaysia.

TRANSACTION ACTIVITIES (2015 to Jan-Sep 2019)



Source: NAPIC, CBRE | WTW Research

SINGAPORE RECESSION RIPPLING ISKANDAR MALAYSIA

Just a bridge's distance to the south, neighbouring Singapore's GDP growth rate plunged to a new low for first three quarters of 2019. Singapore sliding into a recession could deeply impact the hundreds of thousands of Malaysians working there as well as retail spending by Singaporeans who visit Iskandar Malaysia.

The spending patterns of these consumer groups are expected to moderate. In addition, Singaporeans are anticipated to reduce their spending in Iskandar Malaysia (IM) as well as putting off property investments. Singapore-based companies might also be influenced to scale back investments.

INFRASTRUCTURES IN THE PIPELINE

The Malaysia government has agreed to proceed with the Rapid Transit System (RTS) with an estimated cost at RM3.16 billion. Three (3) new agreements with the Singapore government will be signed by end of April 2020 amending some of the scope and structure of the project with target for completion beyond 2024.

The government has also called for a tender to appoint both the commercial and technical advisory consultants to review the feasibility of the High Speed Rail (HSR) project to assist the government in making a decision before end of May 2020.

On the other hand, the construction of the Gemas-Johor Bahru electrified double-tracking project was slightly ahead of progress with approximately 37% completed as of April 2019. Travelling time between KL Sentral and JB Sentral could be reduced from 6 hours to 3.5 hours.

In Budget 2020, RM85 million will be allocated by the government to ease the congestion at Johor Bahru Causeway and Second Link, including provide additional counters for motorcyclists at the Customs, Immigration and Quarantine (CIQ) complex. Both the immigration and PLUS highway counters would also be streamlined to improve traffic flow in the CIQ complex.

Another two projects received an allocation of RM220 million: Ramp to be built along the Senai-Desaru Expressway (SDE) at Bandar Penawar to curb flooding and construction of Kota Tinggi bypass bridge to ease traffic congestion.

Two high-impact game-changers will be East Coast Rail Link (ECRL) and Kuantan Port.

A POTPOURRI OF ACTIVITIES

The East Coast covers a land area of about 50% of Peninsular Malaysia comprising the states of Kelantan, Terengganu, Pahang. It is home to over 4.5 million people and is transforming into a distinctive, dynamic and competitive destination for investments.

In June 2019, the Federal Government through the East Coast Economic Region Development Council (ECERDC) launched the ECER Master Plan 2.0 (2018-2025). The ECER Masterplan identified seven Key Development Areas (KDA) or Nodes of development. This will be a major boost to the East Coast region.

ECONOMY

Since 2007, approved investments have totaled more than RM110 billion which could generate over 100,000 new jobs and 10,000 business opportunities. Much of this development will be in the ECER Special Economic Zone (SEZ), covering a 25km by 140km strip that extends from Kertih in Terengganu to Pekan in Pahang.

Business activities have revolved around the timber and fisheries industries and in recent years the petrochemical industry has become an integral part of the economy. Tourism and the service sectors have also become two high areas of employment and very important cogs in the machinery of economic growth.

Tourism is proposed as a major stimulant to the Terengganu economy and the state is planned to be the dynamic Tourism Gateway to the East Coast. The investment and development of the new Kuala Terengganu City Centre (KTCC) will strengthen the image of Kuala Terengganu as a vibrant Heritage Waterfront City.

INFRASTRUCTURE

Improvements in the infrastructure such as upgrading Kuala Terengganu airport to international status and the completion of the 350km East Coast Expressway will have a major positive impact with the areas designated for investment along this route offering numerous business opportunities. To propel the East Coast forward, emphasis will be on increasing labour productivity; diversifying the economic base; facilitating economies of scale; mobilising the labour force; leveraging connectivity; and enhancing enabling infrastructure such as ICT broadband connectivity.

ECERDC in partnership with Technische Universitat Munchen (TUM) has established the Asia Centre of Excellence for Smart Technologies (ACES) at the Pahang Technology Park, envisioned to serve as a skills development hub.

Two high-impact game-changers the East Coast Rail Link (ECRL) and the expansion of Kuantan Port are expected to facilitate further investments. ECRL will unlock new tourism hubs and transit-oriented developments along its alignment whilst the expansion of Kuantan Port in Pahang can cater to larger vessels and spur the container cargo industry.

GROWTH SECTORS

On the back of the on-going key infrastructure projects, the Region is also set to experience a wave of growth in logistics-related activities which has been identified as a new key driver, in addition to Manufacturing; Oil, Gas and Petrochemicals; Tourism and Agribusiness sectors.

The Region's rich resources has enabled the development of a competitive manufacturing destination. The automotive sector in ECER is well-established: HICOM Automotive Manufacturing Malaysia (HAMM) within the Pekan Automotive Park is one of the leading contract manufacturers for Mercedes-Benz and Volkswagen. The Park also houses multiple OEM parts suppliers.

The Malaysia China Kuantan Industrial Park (MCKIP) is modeled along the same lines as its sister park, the China-Malaysia Qinzhou Industrial Park (CMQIP) in China. Built on a 685-hectare site, MCKIP targets high end industries from China, Malaysia and also from other parts of the world. One of its largest investors is Alliance Steel (M) Sdn Bhd which has invested RM5.6 billion in a steel mill.

The beauty and diversity of natural assets in the East Coast, which include pristine beaches, beautiful islands, centuries' old forests, legend-filled biosphere reserve, wetlands, and cool highland retreats, have made tourism one of the important contributors to the Region's economy. The islands in Terengganu and Pahang were listed as top 50 beaches of the World's 100 Best Beaches by CNN in 2013 and as the top 10 best islands for a holiday in Malaysia in 2017. The Region's distinctive culture and heritage is yet another asset that has become a main attraction for tourists.

SABAH

Kota Kinabalu: Transaction activity up to 3Q 2019 went up by 3.1% to 2,783 transactions and 4.6% to RM1.786 billion respectively from the same time last year.

STABLE AND MODERATE GROWTH

Sabah's economic growth for 2019 is anticipated to be moderate, affected by slowdown in global growth, trade tensions between United States and China and weaker commodity prices, amongst others. Albeit some improvement in price towards year end, revenue collection from sales tax on crude palm oil (CPO) is revised downwards with the decline in CPO price for most of 2019, as announced during the tabling of Sabah's Budget 2020 in November 2019. The State Government is also initiating efforts to diversify to other crops and to increase production of high-quality fruits and vegetables.

Notwithstanding the global headwinds, the State recorded a trade surplus of RM8 billion for the first 8 months of 2019 whilst the tourism sector remained resilient. The construction sector was driven by activities for the Pan Borneo Highway project, flyovers as well as development of hotels and residential properties. Loans to finance, insurance, real estate and business sector activities grew by some 10.6% y-o-y to RM4.3 billion in 1H 2019, reflecting encouraging investment sentiments. In anticipation of improved public spending, more stable commodity prices and sustained tourism growth, Sabah's economy is expected to pick up with the State Government projecting a growth rate of 4.0% to 5.1% for 2020.

Based on NAPIC's Property Sales Data for 3Q 2019, Sabah registered a total of 6,496 transactions amounting to RM3.607 billion for 3Q 2019, a 5.3% and -2.7% y-o-y change in volume and value transacted, respectively.

Within the same period, transaction volume and value in Kota Kinabalu (including neighbouring districts of Penampang and Putatan), rose by 3.1% and 4.6% to 2,783 transactions and RM1.786 billion, respectively. Transaction activities improved for all sub-sectors, save for the agriculture sector but this did not have a significant impact in the market as the latter only formed a very small proportion of transactions. Total transacted value for the agricultural and development land sub-sectors declined whilst residential, commercial and industrial segments reflected an increase. The residential sector forms the largest segment in Kota Kinabalu's property market registering 77% of total transactions.

In the commercial property sector, the overall glut for retail and offices still persists, especially in newer developments with pick-up expected to be gradual at the expense of depressed rents.

In the housing sector, stratified high-rise developments continue to outnumber landed residential developments. New developments for the latter are mainly situated in areas further from central or prime suburban areas given lower land cost in secondary localities. Ongoing landed housing developments are taking place in areas such as Manggatal and Sepangar in the north and Kinarut in the south.

Sentiment is generally cautious in the condominium sector with the softening of transaction activities and concerns of surplus of new units from ongoing pipeline supply. Nevertheless, developments within central locations offering good products with competitive pricing by developers with proven track records could still pique buying interest.

There has been a noticeable rise in commercial suite developments (for short-term stay or Airbnb use) launched or opened for sale / registration of interest in the past 1-2 years. The motivation for this would be two-pronged - Sabah's growing tourism sector; and the moderated high-rise residential segment. Smaller units translate to lower pricing for better affordability for buyers and enhanced saleability for developers. However, increased participation from developers is likely to see keen competition in this sector.

The tourism sector continued its growth trajectory with a y-o-y growth of 8.9% in visitor arrivals to 3.4 million, up to October 2019. Several new major hotels were announced in 2019; namely, One Beach Resort (Club Med Borneo Kota Kinabalu) in Kuala Penyu district and 3 city hotels within Kota Kinabalu CBD. Projected visitor arrivals to Sabah for 2020 is 4.18 million with an estimated spending of RM8.96 billion. In line with Visit Malaysia Year 2020, various programmes coupled with more aggressive promotions will be implemented. The Sabah International Convention Centre (SICC) is expected to be operational in 2020, providing an avenue for growth via the MICE (Meetings, Incentives, Conferences and Exhibition) market.

SARAWAK

The biggest public spending allocation in the history of the State's Budget announced for 2019 at RM11.914 billion, followed by a similar big amount of RM9.891 billion for 2020 will spur much development growth for Sarawak over the next few years.

EBB AND FLOW

In 2019, the nation under a new 5-year term government grappled with inherited socio-economic issues. The year has been filled with ups and downs likened to the ebb and flow of a tide, decline and regrowth. In the midst of this ebb and flow, hopes and disappointments abound. The resulting market is one of mixed sentiments and reactions. On one hand, the market seems to be bottoming out with some signs of recovery; at the same time the recovery is beset by uncertainties.

Despite a slow down in GDP growth for Sarawak to 2% in 2018, growth for 2019 is expected to improve to 5%-6% with the roll out of major infrastructure and development projects especially in the aquaculture, tourism, forestry, palm oil, rubber and biotechnology sectors.

The government's initiatives also extend to improving the affordability of housing in the State with the introduction of a new housing program/scheme called Spectra Housing in joint ventures with local developers to deliver houses of higher specifications to the people. The government has also launched the Sarawak Digital Economy Strategy to propel the State towards a digitised State by 2022.

Market confidence which was bolstered by the win of a new government has seen a slide since 3Q 2018. The renewed confidence fizzled due to disappointments in the unfulfilled manifestos of the new government.

The increase in development expenditure will help accelerate growth and spur the State towards achieving the targeted economic growth of 6% and above. The focus will be on infrastructure, rural and interior developments to ensure a more balanced and prosperous State.

Commodity prices are seen climbing again after a global shortage of crude oil and seasonally higher winter demand. Oil prices are likely to average RM65-RM75 per barrel for 2019 and palm oil to exceed RM2,600 per metric tonne by year end.

On the property front, JPPH expects property market activity in 2019 to stabilise. Judging from the increased volume (2018: 4.7%; 2019:7.4%) and value (2018: 7.4%; 2019: 22.9%) of total property transactions for the State, with better performances in almost all sub-sectors, the market for 2019 is anticipated to pick up.

The residential sector will continue to dominate the market in terms of volume and value, and expected to move slowly but steadily. The high rise residential sub-sector will continue to face challenges in view of the significant increase in supply. Take-up rates of the latter would be subject to pricing, location and other unique selling points. The industrial, agricultural and vacant land sectors are expected to register slow but steady growth whilst excess of units are still observed in the commercial sector, particularly, retail units and shop offices.

Overall overhang for 2019 has increased compared to 2018. High property prices, stricter lending policies, volatile macroeconomic conditions and weak consumer sentiments, remain challenging for the property sector in 2019. The increase in Real Property Gains Tax (RPGT) and imposition of 5% RPGT on properties sold after the 5th year of purchase will dampen genuine sales. However, decline in value is not evident.

Major infrastructure projects under the 11th Malaysia Plan are expected to be the catalyst for growth. The recent announcement by the State Government to develop 2 million hectares of land for agriculture to enable the State to become a net food exporter by 2030 will mean an increase in demand for agricultural lands. Thus, the agricultural sector is one to look out for in the near future.

MODERATION AND CONSOLIDATION ROAD TO RECOVERY

2019 was a year of moderation and consolidation on a journey towards recovery. No huge market changes, up or down, are expected with continued cautiousness in business dealings, going forward.

RESIDENTIAL

KLANG VALLEY

Understanding homebuyers' appetite in consonance with product positioning and local profile is the crux. Foreign buyers and investors may help to reduce the residential overhang following the proposed lowering of the foreign price threshold in Budget 2020.

BUYERS' SENTIMENT IMPROVING

Loan applications recorded the highest number for the past 10 years (72,100 applications) supported by the continuous efforts of the government in promoting home ownership and financial assistance.

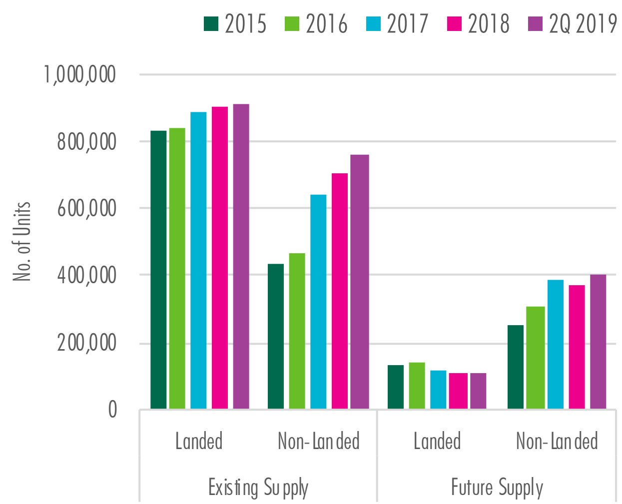
SECONDARY MARKET SLOWING DOWN

13,889 residential units worth RM7.3 million were transacted, a decline of 3% in volume and 6% in value. The average transacted price for condominiums decreased 5% (RM800,000 in Kuala Lumpur (KL), RM366,000 in Selangor), whilst 2 & 3-storey terraced increased 1% (RM1 million in KL and RM600,000 in Selangor).

As at 2Q 2019, existing supply in Klang Valley stood at 1.7 million residential units, up by 3% as compared to 2Q 2018. SOHO and Serviced Apartments continue flooding the market, growing at 23.6% (155,618 units).

Another 500,000 residential units may be completed in the next 2-3 years. Unsold/overhang sentiment has encouraged developers to not only stay vigilant on new launches, but to also adopt cost- cutting expenses.

SUPPLY AND PERFORMANCE OF RESIDENTIAL IN KLANG VALLEY



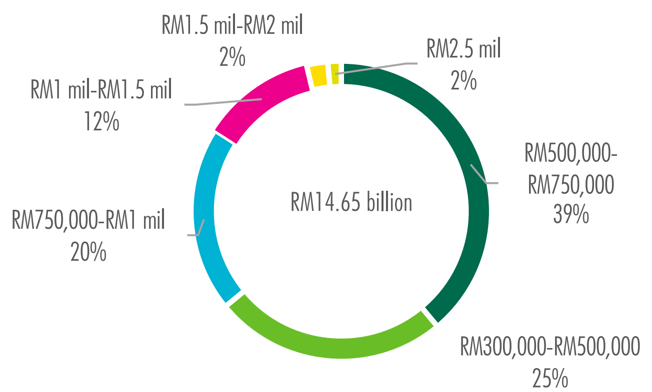
Source: NAPIC, CBRE | WTW Research

SUCCESS OF HOC

The Home Ownership Campaign (HOC) which was planned to scale down unsold stocks, recorded sales of 28,000 units worth RM17.66 billion. Selangor and KL registered the highest sales at 47% (13,160 units) of the total nationwide with prices ranging from RM500,000 to RM750,000.

Serviced apartments and 2 storey terraced houses formed the bulk sales, indicating buyers' profiles of upgraders, young families and first-time buyers. However, the impact of HOC's implementation towards 'first-time genuine home-owners' remained debatable.

HOC SALES PERFORMANCE



Abbreviation: mil. = million, bil. = billion
Note: The figures excluded units below RM300,000 and properties above RM2.5 mil
Source: KPKT-REHDA, CBRE | WTW Research

Serviced residences priced from RM600,000 to over RM1 million constitute the highest market share, which may partly explain the rationale of Budget 2020 to propose lowering the price threshold for foreign buyers.

Socio-economic variations presented huge differences in homebuyers' appetite. High-end market products have perennially been blamed for the market overhang. However, statistical data has shown some contradictions whereby there are also abundant units priced as low as RM200,000 - RM300,000 in the overhang pool.

CAMPAIGNING AFFORDABLITY

The Government's commitment to universal home ownership was reaffirmed by the Memorandum of Understanding (MoU) between KPKT and China's experts which seeks to reshape the affordable market landscape significantly.

Bank Negara Malaysia (BNM) has initiated MyKNP, offering financial consultation services to failed homebuyer applicants. Developers providing low entry cost and financial assistance such as HOPE by EcoWorld and Setia FlexKey by SP Setia are aimed at mitigating the barriers to owning a house.

Tapping into the current slow market, Mah Sing launched their range of affordably priced products i.e. M Oscar, M Aruna, M Vertica and M Centura, which have shown remarkable responses as to date. They also announced plans for an Industrialised Building System (IBS) platform in Southville City, their commitment to develop more affordable homes.

LUXURY MARKET SUBDUED

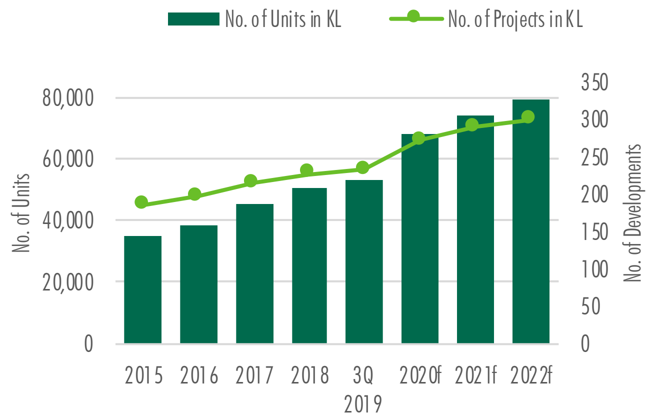
Launching activity for high-rise luxury residences in KL was quiet in 3Q 2019, weighed down by cautious sentiment. Soft launches tied up with social activities were widely used to gauge market response.

Based on the number of soft launches, there will be significant incoming supply by 2020, i.e. CORE Residence @ TRX, TRX Residences, Axon Bukit Bintang, IBN Bukit Bintang, Lake City @KL, Agile Embassy Garden and Alix Residence, with selling prices starting from RM1,000 per square foot.

New completions in 3Q 2019 added 3,600 units to raise total supply to 52,900 units (3Q 2018: 49,300 units). Notable high end developments completed in 2019 included Opus KL, Pavilion Suites (Elite), Dorsett Sri Hartamas and Residence Sefina (Mont Kiara).

Secondary market activity have also declined as reflected in average transaction values in the Golden Triangle (GT) which dropped to RM957 per square foot in 1H 2019 compared to RM970 per square foot in 1H 2018. Similarly, average transacted prices in Kuala Lumpur dropped to RM794 compared to RM821 per square foot per square foot in 1H 2018.

SUPPLY AND PERFORMANCE OF LUXURY MARKET



Abbreviation: KL = Kuala Lumpur
Source: NAPIC, CBRE | WTW Research

ESTIMATED SELLING PRICE OF SIGNIFICANT NEW LAUNCHES

DEVELOP-MENT	LOCAT ION	MIN PRICE	MAX PRICE
Luxury Service Residence	Central KL	RM2,300 per sq. ft.	RM2,400 per sq. ft.
Condo-minium	Bukit Jalil	RM745 per sq. ft.	RM787 per sq. ft.
2 storey Terrace	Shah Alam	RM520,000 per unit	RM960,000 per unit
2 storey Semi Detached	Rawan g	RM1.8 mil per unit	RM2.4 mil per unit

Abbreviation: RM = Ringgit Malaysia, per sq. ft. = per square foot, mil = million
Source: CBRE | WTW Research

Gamuda Cove
Source: Gamuda Land

SEREMBAN - HEALTHY MIX

The residential segment has been active both in the primary and secondary markets. Reputable developers such as Sime Darby, IJM Land and Matrix Concepts are launching their products in townships like Nilai, Seremban 2 and Bandar Sri Sendayan.

The targeted demand includes financially better-off local families and even extends to the working population in Klang Valley who are willing to travel. Units priced at RM400,000 and below are generally deemed to be reasonable for this market. Overall, the persistent supply and sustained demand shall act as the stabiliser for the local market.

High-rise residential is rising up as a formidable force in Seremban's residential landscape, distributed across multiple strategic locations.

Among the hotspots are Seremban 2 (Kalista), Seremban 3 (UniCity) as well as Nilai (Mesa Hill, Starzvalley, and Taman Bucida Hijauan) which is a prominent education hub. Apart from investors, high-rise residential properties in this market also target occupiers who value privacy and exclusive living.

MARKET OUTLOOK

New developments and potential hotspots remain driven by reputable developers, i.e. Gamuda Cove (Smart City Concept). Ministry of Housing and Local Government (KPKT) has launched Malaysia Smart City Framework, to accommodate the future emerging technology trend.

Product differentiation is something to be highlighted. For instance, SP Setia's launches in Cyberjaya, Bandar Salak Tinggi, Rawang and Semenyih met with remarkable responses. The first phase of Setia Mayuri (Semenyih) and Setia Safiro (Cyberjaya) were fully sold upon launching, sending signals that outskirt areas could be appealing with the right product placement.

The opening of West Coast Expressway (WCE) will stimulate market interest in localities such as Bandar Bukit Raja, as manifested by the collaboration of Sime Darby Property with Mitsui & Co Ltd and Mitsubishi Estate Co Ltd to develop Bandar Bukit Raja Industrial Gateway.

Revising the base year for asset disposal from January 2000 to January 2013 will enable home owners to incur lower Real Property Gains Tax (RPGT)/greater capital gains.

The high-rise luxury residential sector in Kuala Lumpur may also attract more interest as the KPKT plans to hype up home ownership promotions to foreign countries. The targeted foreigner market is anticipated from China, Hong Kong, Singapore, Japan, Korea, and Indonesia. However, co-ordination between the Ministries especially for related visa and resident permits for foreign buyers may be less satisfactory.

Developers are also being more accommodative to incorporate design features that facilitate short term renting, such as housekeeping / concierge services, and digital hardware etc. (digital lock, mobile application) CORE Residence TRX, and Lake City KL North are observed to adopt this approach.

Malaysia Vision Valley 2.0 (MVV 2.0) continues to further expand the southern economic conurbation. Going forward, a new southern corridor residential hotspot may emerge in Sepang - Bandar Enstek - Bandar Sri Sendayan - Seremban 2 in view of the planned industrial and logistics development in these localities. Comprehensive infrastructure and transportation will enhance connectivity and could spill over into residential demand.

CORE Residence TRX
Source: CORE Precious Development Sdn Bhd

PENANG

The concern of overhang of apartments/condominiums would linger on in 2020. Price correction may occur for apartment/condominium units in locations which have significant mismatch of supply and demand. On the other hand, prices of landed residential units are expected to remain firm and resilient. More affordable units are already available in the market for the mass population. The residential sector is also anticipated to benefit from the increased interest from foreigners, particularly from Hong Kong.

APARTMENT/CONDOMINIUM OVERHANG WOULD LINGER ON IN 2020

The property overhang report as at 2Q 2019 by NAPIC revealed that the residential overhang units are still mainly apartments/condominiums amounting to over 2,600 units worth approximately RM2 billion. The overhang of apartments/condominiums remain a concern due to the abundant apartment/condominium units being launched, constructed and completed within the past 3 to 5 years. Other reasons for the unsold units are high rejection rate of end financing, unreleased bumiputra units and low demand and interest for units in secondary locations.

In terms of unsold residential units, 35% of the 1,360 overhang units are in the price range of RM500,001 to RM1 million per unit. Units priced RM1 million and more formed the bulk (60%) of the total overhang valued at slightly over RM1.9 billion.

Developers of residential projects particularly apartment/condominium schemes are experiencing increased pressure in securing sales. Various incentives continue to be offered to prospective purchasers by developers in the short term - rebates on selling prices, waiver of legal fee, free kitchen and electrical appliances, etc. New incentives include holiday packages, refer and reward schemes and lucky draws of luxury car.

PRICE CORRECTION ANTICIPATED FOR APARTMENT/CONDOMINIUM UNITS

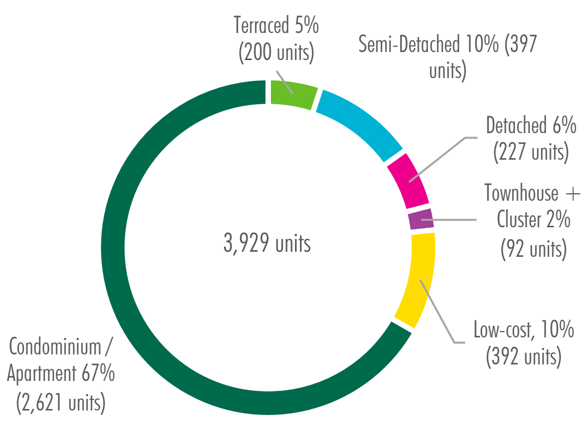
In the past 2 years, a rather flattish market was also observed in the secondary sale market. The prices of residential units was generally sustained due to the strong holding power of Penang property owners.

However, price corrections may occur for apartment/condominium units in locations which have abundant existing and upcoming units, reflecting a significant mismatch of supply and demand.

PRICES OF LANDED RESIDENTIAL UNITS TO REMAIN FIRM AND RESILIENT

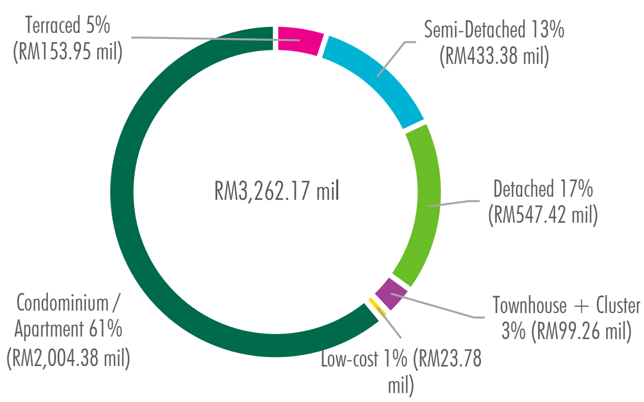
Landed residential units remain the preferred residential accommodation for Penangites. As such, prices of landed residential units were generally firm in 2019 and is expected to remain resilient in the near future due to the limited supply compared to high rise units, particularly in Penang Island.

VOLUME OF UNSOLD UNITS BY TYPE



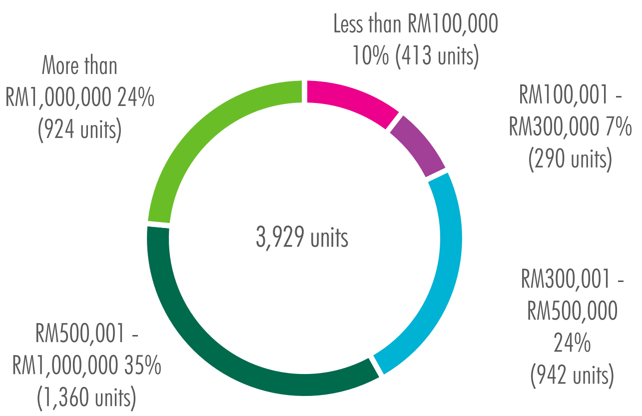
Source: NAPIC, CBRE | WTW Research

VALUE OF UNSOLD UNITS BY TYPE



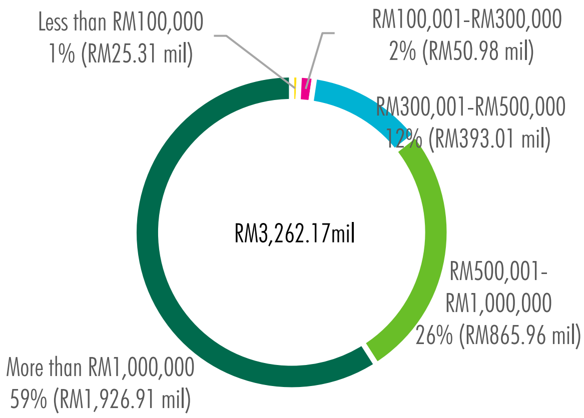
Abbreviation: mil. = million
Source: NAPIC, CBRE | WTW Research

VOLUME OF UNSOLD UNITS BY PRICE RANGE



Source: NAPIC, CBRE | WTW Research

VALUE OF UNSOLD UNITS BY PRICE RANGE



Abbreviation: mil. = million
Source: NAPIC, CBRE | WTW Research

MORE AFFORDABLE UNITS TO BE PROPOSED BY DEVELOPERS

Certain developers have also shifted their focus to developing affordable units. Developers having sizeable parcels of development land are expected to rationalize their proposed developments to comprise more content of affordable units to serve the needs of the mass market. Moreover, there are development incentives for those who develop solely affordable units for sale.

GOVERNMENT INCENTIVES AND INITIATIVES EXPECTED TO CONTINUE

To address the property overhang situation, the Government launched the National Home Ownership Campaign 2019 (HOC 2019), offering a base 10% discount on the selling price, stamp duty exemption on sale and purchase agreement (SPA) for properties priced up to RM1 million and stamp duty exemption for loan agreements up to RM2.5 million. Other initiatives include My First Home Scheme and First Time Home Buyer Malaysia, which are anticipated to continue in the near future.

INCREASED INTEREST FROM FOREIGNERS

The prevailing chaos in Hong Kong have prompted Hong Kong residents to consider relocating to other Asian countries, including Malaysia. The residential sector in the main cities of Malaysia, particularly Penang, may benefit from the increased interest from this segment of foreigners.

ALOR SETAR – STATUS QUO

1,466 units of residential units were transacted during 1Q-3Q 2019 – 5.2% higher than same period last year. On average, the price for terraced houses remained unchanged from previous year.

Demand is expected to concentrate in the town centre, mainly from first-time homebuyers. Nonetheless, limited land availability may affect price affordability. Taman Seri Belida located along Jalan Suka Menanti (approximately 3km away from Alor Setar town centre) is setting a new benchmark price of RM899,000 for 2-storey semi-detached houses with roof garden. The development is considered as a high-end product in the local market with modern architecture.

The high-rise residential segment in Alor Setar is still a niche market with limited supply and narrow demand coming from residents looking for access to facilities.

IPOH – BUYERS' MARKET

Landed residential will spearhead Ipoh's residential market in 2020 and remain a buyers' market in view of the abundant supply, with demand primarily from occupiers rather than investors. Among those worth noting are the freehold double-storey terraced in Bandar Seri Botani offered below RM500,000 and landed PR1MA projects around Kamunting and Kampar.

Landed residential market remained stable in pricing and number of transactions. For high-rise residential, developers are facing hardships in clearing their existing stock due to the oversupply condition in the market.

UPWARD TREND IN TRANSACTION ACTIVITY

Transaction activity of both landed and high-rise residential markets picked up in the first nine months of 2019 as compared to the corresponding period in 2018. Transaction volume of landed residential increased 22% from 6,883 units in 1Q-3Q 2018 to 8,396 units in 1Q-3Q 2019 while transaction value rose from RM3,137 million in 1Q-3Q 2018 to RM3,971 million in 1Q-3Q 2019, a growth of 27%.

For high-rise residential, the volume of transactions in 1Q-3Q 2019 was 1,930 units, an increment of 28% from 1,505 units in the corresponding period of 2018. While the value of transactions grew by 20% to RM710 million in 1Q-3Q 2019 from RM594 million in 1Q-3Q 2018.

SUPPLY FOR LANDED HOUSES GREW STEADILY

The existing stock of landed houses increased steadily over the past 5 years with a total number of completed units ranged from 3,000 to 6,000 units per annum. Approximately 5,500 units of landed houses are expected in 2019, bringing cumulative supply to 323,000 units.

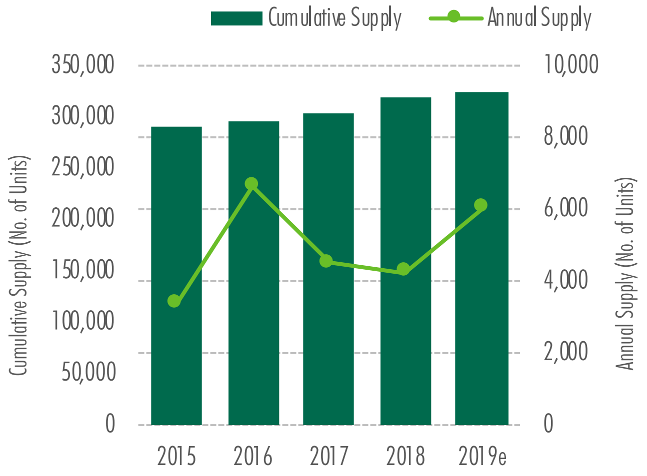
OVERSUPPLY OF HIGH-RISE: A NEVER ENDING ISSUE

The supply of high-rise units rose tremendously between 2015 and 2019. The cumulative supply is estimated at 133,000 units in 2019, as compared to 38,000 units in 2015. The huge afflux of high-rise units is mainly caused by the successive entry of serviced apartment units that launched since 2012/2013.

The severe oversupply condition of high-rise units in Iskandar Malaysia (IM) is mainly contributed by the overbuilt of this products as well as the mismatches in price, location and products. The number of unsold completed high-rise residential units grew dramatically over the past 5 years. The unsold units ramped up about twentyfold from 800 units in 2015 to 15,800 units in 2Q 2019.

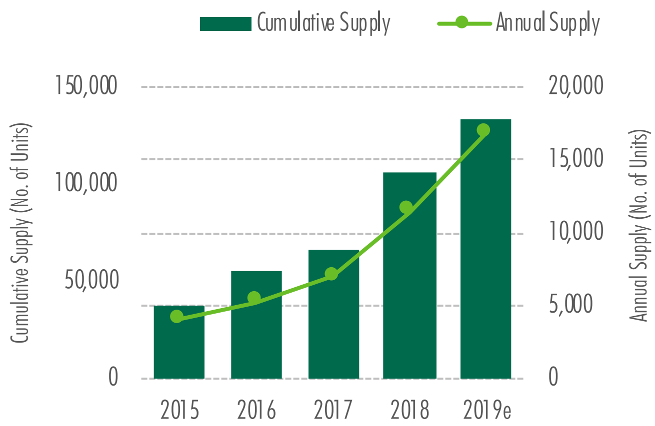
Whilst the property overhang condition in landed residential sector is manageable with the number of unsold completed units ranged from 500 to 2,000 units per annum in between year 2015 and 2Q 2019.

SUPPLY OF LANDED RESIDENTIAL SECTOR



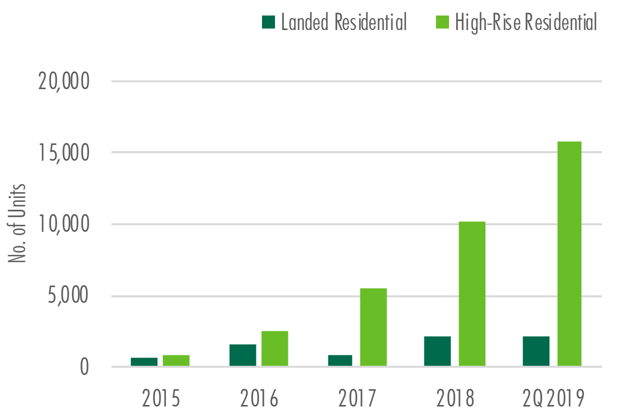
Source: NAPIC, CBRE | WTW Research

SUPPLY OF HIGH RISE RESIDENTIAL SECTOR



Source: NAPIC, CBRE | WTW Research

PROPERTY OVERHANG IN ISKANDAR MALAYSIA



Source: NAPIC, CBRE | WTW Research

FOREIGN OWNER THRESHOLD LOWERED

Following Budget 2020, the Johor State Government announced paring down the foreign ownership threshold price from RM1 million to RM600,000 in the first nine months of 2020, to facilitate unwinding the severe overhang in high-rise residential market. A total of 11,211 (71%) overhang high-rise units in Iskandar Malaysia (IM) may be made eligible to foreigners especially Singaporeans.

Compared to Singapore, one of the most expensive countries to purchase a house in the world, property prices in IM are relatively cheap for Singaporeans with the power of 1:3 ratio in currency exchange. Singaporeans can enjoy living in a luxury apartment in Iskandar Malaysia for S$350,000, which is equivalent to a HDB flat in Singapore using the same amount of money. With this move, the overhang of high-rise residential in IM might be eased. If the Rapid Transit System proceeds successfully and Singapore's economy is revived in 2020, the sales rate for unsold completed units might improve.

SUB-SALE MARKET SOFTENED

The sub-sale market for landed residential softened with roughly 40% to 70% drop in transaction volume. Nevertheless, in terms of sub-sale price performance, average prices were generally stable with terraced, cluster and semi-detached houses recorded at about RM350, RM410 and RM500 per square foot respectively.

On the other hand, high-rise residences in the sub-sale market dropped about 10% in terms of number of transactions while the average price increased by 15% to RM425 per square foot. The slowdown in the sub-sale market is likely due to the Home Ownership Campaign offer for purchases from developers (i.e. primary market): a minimum 10% price discount and stamp duties exemption on loan agreement and Memorandum of Transfer (MOT), attracting more house buyers to opt to purchase from primary market.

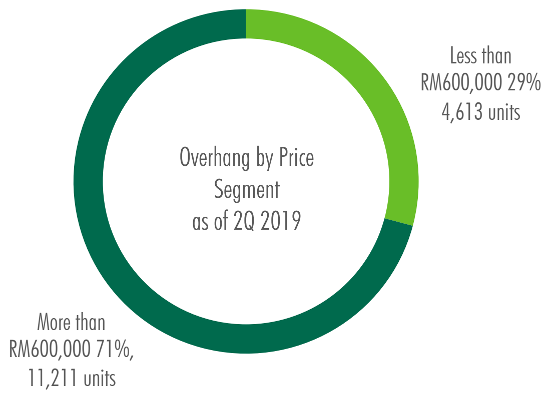
The 5% of Real Property Gains Tax (RPGT) charged on property disposal for more than 5 years of ownership which announced in Budget 2019, has also deterred house owners selling off their property in 2019. However, the sub-sale market might regain its momentum due to the government revision in Budget 2020 where the base year has been revised to 1st January 2013 from January 2000, which may reduce the chargeable tax on properties purchased before 2013.

DEVELOPERS RETURNING TO HIGH-RISE RESIDENTIAL MARKET WITH MORE REALISTIC PRICING

Less landed residential projects were launched in 2019, i.e. 22 projects with a total number of approximately 5,000 units as compared to 36 projects with approximately 6,500 units launched in 2018. The selling prices for terraced houses are generally in the range of RM230 to RM480 per square foot while the selling prices for cluster houses are from RM400 per square foot onwards.

Developers were launching more high-rise projects in 2019 - 10 projects as compared to 4 projects in 2018. These newly-launched 6,600 units will enter the market in 3 to 4 years. The selling prices are varied based on location and unit size. In Johor Bahru city centre/ fringe, newly launched projects are priced between RM750 and RM1,000 per square foot. For projects which are located within popular and matured housing schemes/township developments, selling prices ranged from RM550 to RM750 per square foot while for projects located further away from city or at less popular addresses the selling prices generally range from RM350 to RM450 per square foot. To boost sales, some developers have offered promotion packages such as rebates up to 20%, legal fees and stamp duties waived for loan agreement and transfer of property, etc.

OVERHANG UNIT PRICED RM600,000 AND ABOVE IN ISKANDAR MALAYSIA



Source: CBRE | WTW Research

BATU PAHAT – SLOW BUT STEADY

Batu Pahat's landed residential segment is not foreseen to vary in 2020. Lack of new sizeable residential developments will cushion the dampening demand arising caused by price mismatch. High land and development costs have been cited as the main impediments for developers to price-match potential buyers who are predominantly occupiers in this market. Meanwhile, Batu Pahat's high-rise residential segment has been silent, no new launches anticipated in near future.

MELAKA – UP AND RUNNING

Melaka's landed residential segment is expected to be upbeat and continue to dominate the residential sector. On the supply side, developers still proceed with new projects, tapping onto the opportunities in undeveloped areas with proximity to schools and workplaces. On the demand side, prices of landed properties in Melaka can still be regarded as affordable. All in all, good sales and price increment could still be forthcoming in the landed residential market in 2020 and beyond.

No new launches of high-rise residential were observed in Melaka since 4Q 2018. This is on hindsight due to the gush of supply of serviced apartments around the town centre, by and large purchased by investors for short-term accommodation rental. The resulting effect is competitive pricing among newer launches and the high-rise residential segment is in absorption mode. Overall, slowdown in supply shall recalibrate the market and mitigate the risks of serious oversupply.

OUTLOOK

From a regional perspective, the landed residential segment in this part of Malaysia would remain status quo in 2020. Meanwhile, the high-rise residential segment is portraying different states of 'absorption' and 'stagnation' for Melaka and Batu Pahat respectively.

While the landed residential markets would not deviate from the domination by owner occupiers, investment could still proliferate in the high-rise residential markets of Melaka especially.

EAST COAST

A positive turn ahead.

KUANTAN – PLEASANTLY MILD

Kuantan's residential market has more or less bottomed out since end of 2018. Although the low pricing trend prevailed, 2019 has seen a better performance in terms of take-up rate and transaction activity. Developers are seen to be more cautious with new launches, the priority is on sales for unsold existing stock. Developers who are innovative with their design concepts, willing to take a lower profit margin as compared to the previous 3 years and at locations with good basic infrastructures and amenities could still be able to keep their head above water.

There were a few bright spots on both ends of the market spectrum - the affordable and the luxury segment. Developers who are willing to stretch themselves by providing the extras may be rewarded. A case in point would be the KotaSAS Summer West and Summer East whereby its terraced houses are enhanced with the features of a semi-detached unit such as wider frontage and car porch. Its single-storey terraced units are selling at RM350,000 - which is above the conventional price for such property type in Kuantan - the reception was commendable with willing buyers making up of first-time homebuyers and upgraders.

For Kuantan's high-rise residential segment, prices in the primary and secondary markets are still regarded as attractive. There is still ample land in Kuantan which favours landed residential development hence, supply of high-rise residential shall remain modest which in turn, holds down prices for existing properties. From demand's viewpoint, persistent tenants promises reasonably good rental returns and lure investors.

KOTA BHARU – SMOOTH SAILING

In Kota Bharu, the residential market demand is expected to prevail heading into 2020 hence, steady price and take-up rates of residential properties. Demand for landed residential property remains significant, particularly in strategic locations such as Bandar Baru Kubang Kerian, Panji and Bandar Baru Gua. Likewise, Sering and Wakaf Delima which are vibrant since they are on freehold land. Pricewise, RM400,000 is the typical minimum value for 2- to 3-storey terraced, 2- to 3-storey semi-detached and detached properties. Vacant residential plots are also among the popular transactions in Kota Bharu, generally valued between RM50,000 and RM100,000 per unit.

The high-rise residential segment has been slowly making its way into Kota Bharu's residential market and it is anticipated to remain on moderate trajectory for some time. There has been constant new supply but cautious optimism is holding back on take-up rates due to tenancy inactivity. Transaction data suggests that the current market does not expect high-rise residential properties to surpass RM500,000 per unit.

KUALA TERENGGANU – QUIET RESILIENT

Residential is likely to remain the same in 2020. A potential boost of supply and demand in Kuala Nerus may emerge from the completion of the interim bridge to Kuala Terengganu. In Kuala Terengganu, the majority of landed residential properties were transacted below RM400,000 per unit. 2-storey semi-detached houses priced between RM400,000 and RM500,000 per unit recorded the highest transaction volume.

The high-rise residential segment is relatively quiet in Kuala Terengganu. New supply is coming in at a moderate pace whereby Kuala Terengganu would still welcome new high-rise residential in 2020 and the demand trend is likely to stay resilient.

Kota Kinabalu: Slight increase in transaction activities mainly spurred by the landed residential sector. High-rise residential to remain competitive due to concerns of rising supply and saturation.

SLIGHTLY MORE ACTIVE SUB-SALES

Sub-sale transactions for the residential sector encompassing vacant residential plots, landed and stratified housing within Kota Kinabalu-Penampang-Putatan for the period of January-September 2019 increased by a marginal 2.8% and 0.8% in terms of volume and value transacted, y-o-y. Of this, landed residential developments make up about half of the transaction volume. The landed residential sector was more active in 2019, with a y-o-y increase of 17.4% and 14.6% in transaction volume and value, respectively.

LIMITED NEW LAUNCHES

The more active sub-sales for landed residential could be partly attributed to the limited new launches in 2019. Significant developments launched include Parklane @ Taman Bukit Sepangar (115 units) and Bukit Damaisari Manggatal Phases 3 and 4 (104 units). These 2-storey terraced house developments are located in Kota Kinabalu's northern sector in Sepangar and Manggatal. There are also other terraced house developments taking shape in the southern sector in Kinarut.

2019 saw the completion of Casablanca Residence, a 94 units gated and guarded 2- to 3- storey terraced house development located off Jalan Kolombong.

Within the high-rise sector, 1,534 condominium units from 4 developments were completed: namely The Gardens (500 units), Maya @ Likas (483 units), Kingfisher Inanam Block A (255 units) and Bukit Bantayan Block E (296 units), which reflects an increase of about 15% from 2018.

RESIDENTIAL TRANSACTIONS – KOTA KINABALU, PENAMPANG & PUTATAN

COMPARISON PEROD	TOTAL VOLUME	TOTAL VALUE
Jan – Sep 2018	2,087	RM940.41 mil
Jan – Sep 2019	2,145	RM948.09 mil
% Change y-o-y	2.8%	0.8%

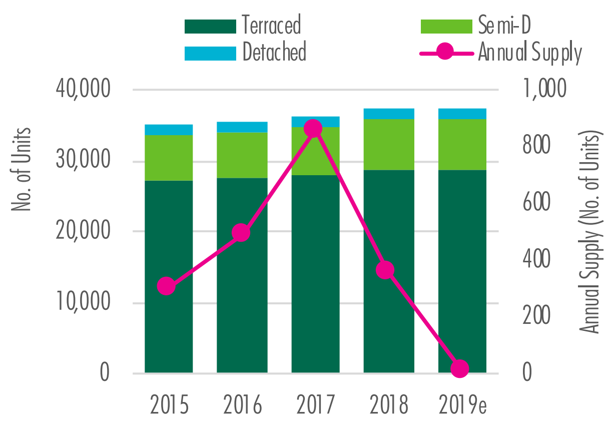
Abbreviation: RM = Ringgit Malaysia, mil. = million
Source: NAPIC

LANDED RESIDENTIAL TRANSACTIONS – KOTA KINABALU, PENAMPANG & PUTATAN

COMPARISON PEROD	TOTAL VOLUME	TOTAL VALUE
Jan – Sep 2018	903	RM472.87 mil
Jan – Sep 2019	1,060	RM541.97 mil
% Change y-o-y	17.4%	14.6%

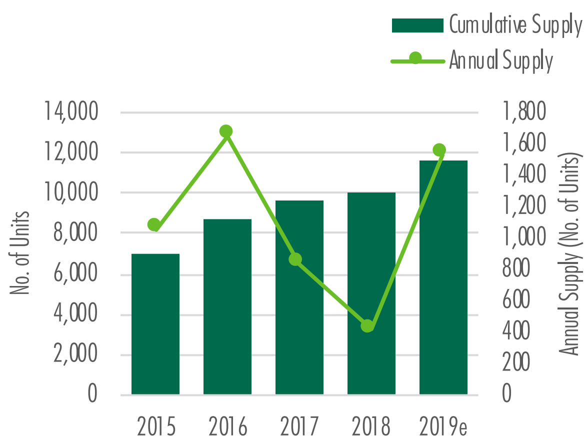
Abbreviation: RM = Ringgit Malaysia, mil. = million
Source: NAPIC

SUPPLY OF LANDED RESIDENTIAL IN KOTA KINABALU - PENAMPANG



Source: NAPIC, WTWS Research

SUPPLY OF HIGH-RISE RESIDENTIAL IN KOTA KINABALU-PENAMPANG



Abbreviation: per sq. ft. = per square foot
Source: NAPIC, WTWS Research

3 new condominiums totalling 1,322 units were launched, namely Jesselton Twin Towers, a 56-storey condominium tower located in Damai (819 units), Forest Hill Residences (396 units) and the final phase of Kingfisher Inanam (239 units).

In the sub-sale market, JPPH transaction data for January-September 2019 showed a y-o-y decline in volume and value transacted for condominiums. Out of the total transactions, developments priced between RM400,000-RM600,000 per unit accounted for about half of transaction activities with those priced over RM1 million accounting for about 17% of transaction volume.

Moving forward, values for well-located and well-managed developments should be sustainable although the rental market remains competitive as supply outpaces demand. The number of new condominium launches could moderate in the near future due to concerns of rising supply and saturation. Some developers are also shifting to commercial suite developments to capitalise on Sabah's tourism growth and increasing popularity of alternative accommodation such as Airbnb.

KENINGAU

The landed residential market for Keningau remained firm with sustained prices. Selective demand could still emerge amidst softer purchasing appetite.

LAHAD DATU

2019 was a challenging year for Lahad Datu. The residential sector was sluggish, affected by the weak palm oil sector experiencing continued low production and average selling prices hitting a nadir in 3 years. Supply within the low and medium-cost housing segment is lacking whilst higher-end housing market is affected by weak purchasing sentiments.

Moving forward, Lahad Datu's residential market is anticipated to experience passive demand with the younger population generally opting to stay with their family due to affordability factor and the lack of housing supply in the RM200,000-RM300,000 price range.

TAWAU

Likewise, the performance of Tawau's residential market is dependent on the recovery in the palm oil industry. Developers are offering discounts of up to 20% in an effort to boost buying sentiment. The general perception is that the local economy may see initial recovery in 2020 or later.

Demand for high-rise residential in Tawau is targeted at higher income buyers or investors.

LABUAN

Demand for landed residential properties in Labuan is mainly driven by mid and upper income segment who purchase residential properties for their own stay. Overall, the outlook for the residential sector is less optimistic given its limited population size.

Affordable high-rise residential development in Labuan is sought after by the low and low-middle income groups, such as Ganggarak Permai apartments which was initially launched at RM150,000.00. The development has been fully sold with secondary transactions in the range of RM180,000 – RM230,000 per unit.

SANDAKAN

In Sandakan, ongoing high-rise residential projects launched in 2017 and 2018 comprise about 444 condominium units and 360 medium-cost apartments with 192 condominium units launched in October 2019.

OUTLOOK

The residential market in smaller towns was rather lackluster due to soft economic conditions caused by the slowdown in the palm oil industry. Any prevailing demand in these markets are niche or selective. Optimism in the residential market is premised on recovery in the general economy.

Maya @ Likas
Source: WTWY Research

RESIDENTIAL

SARAWAK

KUCHING: Landed housing continues to see demand and are launched mostly in secondary prime areas. New supply of high rise strata titled residential units continues to outstrip landed housing. The number of launches for high-rise residential units are modest for 2019 in view of the oversupply.

STEADY SUPPLY AND DEMAND FOR LANDED

There were more landed residential launches for 2019 compared to 2018, most being located in secondary areas. Lee Onn Development Sdn Bhd offered 106 terraced and semi-detached units for its Moyanese project at Jalan Matang-Batu Kawa. Other new launches include Taman Mutiara Damai at Petra Jaya with 90 units of single storey and 2-storey terraced houses, Boxhill 76 @ 7^{th} Mile with 76 units of 2-storey terraced houses and Taman Riveria Maya at Samariang with 60 single storey semi-detached and detached housing units. Landed housing projects are seen sprouting up along the Kuching-Serian route.

The market for landed residential units remains steady and prices continue to increase marginally. Rentals and occupancies remain stable.

SUPPLY GLUT OF HIGH RISE RESIDENTAL

High-rise residential units continue to flood the market with about 1,520 units completed in 2019, about 10% more than 2018. SOHO units in Kuching make up one-quarter of completions.

Completed high rise could reach around 3,000 units taking into account the number of units launched for 2019 of about 1,740 units, more or less on par with the numbers launched in 2018, including PRiMA units.

Sale prices for apartments have stagnated around RM500 per square foot in prime locations, with recent new launches priced within the RM400 to RM500 per square foot price range. Most projects are offering smaller units below 1,000 square feet in order to maintain affordability.

Rentals are very much negotiable in the current soft market and this has pulled down the average asking rental for apartment units, thus affecting net yields.

Stratified residential units are experiencing a supply glut of late and this has resulted in a buyers' market with buyers dictating the rentals and rates. Units are taking longer time to sell or rent, especially those in the higher rent market/class.

GOOD DEALS IN A BUYERS' MARKET

The current period, being a buyers' market, is a good time to hunt for good deals, be it in landed or high rise. Demand is expected to strengthen further once the market recovers.

HK Square at Jalan Sg Maong Utama
Source: WTWY Research

The Fifth Ryegates at Jalan Airport
Source: WTWY Research

Recent high rise residential units are mostly developed as part of a mixed development or purely serviced apartments, as there is no restriction on the number of units unlike residential developments' planning criteria which limits the number of units to 30 per acre.

For 2019, the Kuching built-up area which covers the Kuching urban area and its surroundings recorded the highest number of launches at 1,165 units with only 1 other launch each in Batu Kawa (128 units) and Matang (448 units) area. Of these, the biggest contributors were The Avona Residences @ the Northbank (298 units) developed by M/s Ibraco, Doncaster Residence @ Hup Kee (216 units) developed by M/s Lee Onn and the second block of Mackenzie Avenue which added another 128 units and second tower of Sapphire on the Park with 166 units. The units launched ranged between 490 square feet (studio) and 3,390 square feet (penthouse).

HK Square was the largest serviced apartment development completed for 2019 comprising 2 towers housing 304 units followed by the first 184 units completed for Liberty Grove which when fully completed would be among the largest apartment projects in Kuching; and Tower B of Rivervale Condominium with 184 units of the total 368 units of the project when completed.

Other projects completed for 2019 include 300 units at LD Lagenda next to the Sarawak General Hospital, Stutong Tiara 1 (108 units) at Stutong Baru, Trinity Residences at Trinity Hub with 48 SOHO and 32 Condo units, Cube 2 (94 units) and Zen 66 (66 units) both at Jalan Dogan in the Batu Kawa area and the Fifth Ryegates (72 units) at Jalan Airport.

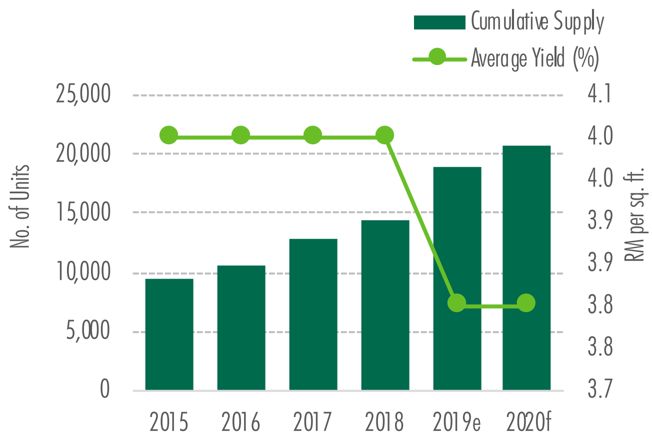
MIRI

The residential market in Miri was hindered by weak purchasing confidence due to stringent end-financing amidst an overhang situation. Zooming into preference by property type, landed residential edges ahead of the high-rise residential.

BINTULU

Bintulu's landed residential exhibited resilience in 2019, with slight increments in transaction volume and selling prices of newly launched residential properties. Being an industrial town, work migrants from other parts of Sarawak or even Malaysia represent a significant source of homebuyers. In addition, Bintulu has 43% of the population in the house-buying group between 25 and 54 years old.

SUPPLY AND PRICE OF HIGH-RISE RESIDENTIAL IN KUCHING



Note: Data for the full year of 2019 is based on estimation from NAPIC's data
Abbreviation: per sq. ft. = per square foot
Source: NAPIC, WTWY Research

Trinity Residence @ Trinity Hub
Source: WTWY Research

SARAWAK

Underpinned by consistent demand in the landed residential segment, developers are constructing more terraced houses - 631 units of incoming supply and 363 units of planned supply as at 1Q 2019. Single-storey terraced houses in Bintulu is well sought after as their prices are lower compared to other types of houses. Locations close to workplace and industrial areas such as Kidurong are more preferred.

As at 2Q 2019, there will be 411 units incoming supply of condominium/apartments. The selling price of such property type may stay unchanged so as to maintain take-up in 2020. The preference towards high-rise residential is mainly dictated by the facilities provided as well as pricing which is deemed as attractive and competitive if not exceeding RM350,000 per unit.

The residential market demand in Bintulu could be rejuvenated in view of the construction of a bridge across Kemena River which would shorten the distance between Jepak and the town centre. The other highlights are the opening of Spring Megamall and the under-construction Boulevard Mixed Development. Both are considered mega projects in Bintulu and share equal prospects of becoming Bintulu's new landmarks given the proven success of the sister projects in Kuching.

SIBU

Sibu's landed residential market is balanced with sufficient supply and reasonable demand. Although selling prices have been increasing due to dwindling supply in the prime areas nearer to Sibu downtown, the landed residential market shall remain stable in 2020.

In spite of the slower take-up rate compared to previous years, there were still new launches of serviced apartments in Sibu in 2019. Market preference points towards those tagged below RM450,000 per unit.

Landed residential property would be favoured beyond that threshold. The high-rise residential market for Sibu in 2020 is projected to be flattish.

OUTLOOK

The residential sector remains the most active and biggest contributor to the Sarawak property market. Landed residential sector remains stable and continues to see demand but is being outstripped by high rise residential units especially in Kuching. The overall market is facing a supply glut in the high rise residential sector.

Rivervale Condominium and Housing Estate @ Stutong
Source: WTWY Research

NEW LAUNCHES (LANDED RESIDENTIAL)

PROJECTS	LOCATION	DEVELOPER	TYPE	UNIT SIZE (SQ. FT.)	PRICE (RM PER UNIT)
KLANG VALLEY					
Reesia @ Elmina Gardens	Sungai Buloh	Sime Darby Property	2-SD	3,243 - 4,249	>1,800,000
Elmina Valley 5 @ City of Elmina	Shah Alam	Sime Darby Property	2-T	2,330 – 2,809	>906,000
Artoca @ Setia Alam	Shah Alam	SP Setia	2-T	TBC	>520,000
Alamanda @ Parklands	Rawang	Amalan Setar	2-T	1,022	>419,000
Dalia @ Tropicana Aman	Kota Kemuning	Tropicana Aman	2-SD	3,808	>1,800,000
Clarino @ Alam Impian	Kota Kemuning	I & P Group	2-T	2,322	>650,000
Palma Sands @ Gamuda Cove	Teluk Panglima Garang	Gamuda Land	2-SL	1,824 - 2,620	>680,000
Jovita @ Gamuda Garden	Rawang	Gamuda Land	2-SD	2,566 - 3,222	>1.8 mil
PENANG					
Garden Villas @ Jesselton Hills	Alma	DNP Land	2-SD	2,485	>953,000
Ambay Park @ Pearl City	Simpang Ampat	Tambun Indah Land	2-T	2,000 – 2,100	>428,000
Amansara South @ Setia Fontaines	Bertam	SP Setia	1-T 2-T	1,310 - 1,812 1,835	>330,000 >420,000
NusaCinta @ Setia Fontaines	Bertam	SP Setia	1-T 2-T 1-D 1-D	1,395 1,867 2,317 3,257	448,400 – 620,100 558,000 – 693,800 813,500 – 1,327,400 1,252,900 – 1,771,900
JOHOR BAHRU					
Venice @ Bandar Putra	Kulai	IOI Group	2-T	2,440	>660,000
Orchid @ Meridin East The Hazel @ Meridin East	Pasir Gudang	Mah Sing Group	2-T	1,782 1,964	>540,000 >580,000
Breezegate @ Eco Tropics	Pasir Gudang	Eco World Group	2-T	1,636 – 2,121	>580,000
Aspira Park Homes	Iskandar Puteri	UEM Surise	2-T	1,931	>600,000
Rose @ Eco Spring	Tebrau	Eco World Group	2-T	1,924 – 2,237	>920,000
Crest @ Austin	Tebrau	Austin Senibong Development Sdn Bhd	2-T	1,689 – 1,966	>550,000
Adenia @ Sapphire Hills	Pulai	Keck Seng Berhad	2-T	1,833	>430,000
Amber Hills @ Bandar Baru Kangkar Pulai	Pulai	Keck Seng Berhad	1-C	1,358 – 2,059	>400,000
Austin Duta	Tebrau	IJM Land Berhad	2-T 2-C	1,654 - 1,862 1,790 - 1,950	>610,000 >770,000

Abbreviation: C = Cluster, D = Detached, LCP = Low Cost Plus, T = Terraced, TH = Townhouse, SD = Semi-Detached, SL = Super-Linked, RM = Ringgit Malaysia, Per sq. ft. = per square foot, mil = million
Source: Respective Developers, Price subject to other sales package from developers

NEW LAUNCHES (LANDED RESIDENTIAL)

PROJECTS	LOCATION	DEVELOPER	TYPE	UNIT SIZE (SQ. FT.)	PRICE (RM PER UNIT)
KUANTAN					
Summer West & Summer East	KotaSAS	KotaSAS SB	1-T	1,680	350,000
KOTA KINABALU					
Parklane @ Taman Bukit Sepangar	Sepangar	WMG Holdings Barhad	2-T	1,876 - 1,929	600,000 – 750,000
Bukit Damaisari Ph 3 & 4	Manggatal	SCP Group	2-T	1,661 - 1,758	651,200 - 985,000
SANDAKAN					
Rimbayu Indah Ph 1A	Off Jalan Utara	Panorama Jelita SB	2-T	1,339 - 1,498	526,000 - 819,000
KUCHING					
Moyanese	Jalan Matang Batu Kawa	Lee Onn Development SB	1-T 2-T 2-SD	1,085 1,990 2,086	345,000 - 426,000 449,000 - 505,000 560,000 - 630,000
Lots 168&169/Blk24/MTLD	Off Jalan Stakan Melayu	N/A	1-T 1-T 1-SD	833 974 1,244	150,000 - 425,000 150,000 - 415,000 415,000
Mutiara Damai	Jalan Sultan Tengah	Orion Master SB	1-T 2-T	975 - 1,029 1,884 - 1,995	290,000 - 572,000 430,000 - 770,000
Boxhill 76 @ 7th Mile	Off Jalan Penrissen	Tecktonic & Sons Holdings SB	2-T	1,791	>610,000
Precinct Grande Phase 1 @ La Promenade	Kuching-Samarahan Expressway	Hock Seng Lee Construction SB	2-D	4,442 / 4,729 / 5,064	3,150,000 / 3,380,000 / 3,580,000
Taman Zoriah 2 @ Matang Jaya	Off Jalan Matang / Jalan Depo	Nursinar Development SB	2-T	1,433	429,000 - 598,000
Taman Moyan Indah Phase 2	Jalan Matang - Batu Kawa	GKS Development SB	2-T 2-SD	1,789 2,179	465,800 - 590,800 697,800
Lot 6134 @ Semerah Padi	Jalan Semariang	Orion Master SB	2-T	1,680; 1,838	485,000 - 607,000
Estate 28	Off Jalan Tun Abdul Rahman	OBYU Realty	2-T	N/A	700,000
Laman Menggris	Jalan Menggris	OBYU Realty	2-T	N/A	580,000 - 800,000
Dusun Bayu Phase 8	Jalan Bako Demak Laut	Borneo Development Corporation (S) SB	1-T 1-T 1-T	764 / 926 786 / 947 829 / 1,000	298,888 - 482,888 333,888 - 488,888 349,888 - 504,888
Riveria Maya	Jalan Lingkaran Samariang	Petra Jaya Properties	1-D 1-SD	1,121 1,127	N/A 484,000 - 524,000

Abbreviation: C = Cluster, D = Detached, LCP = Low Cost Plus, T = Terraced, TH = Townhouse, SD = Semi-Detached, SL = Super-Linked, RM = Ringgit Malaysia, Per sq. ft. = per square foot, mil = million
Source: Respective Developers, Price subject to other sales package from developers

NEW LAUNCHES (HIGH-RISE RESIDENTIAL)

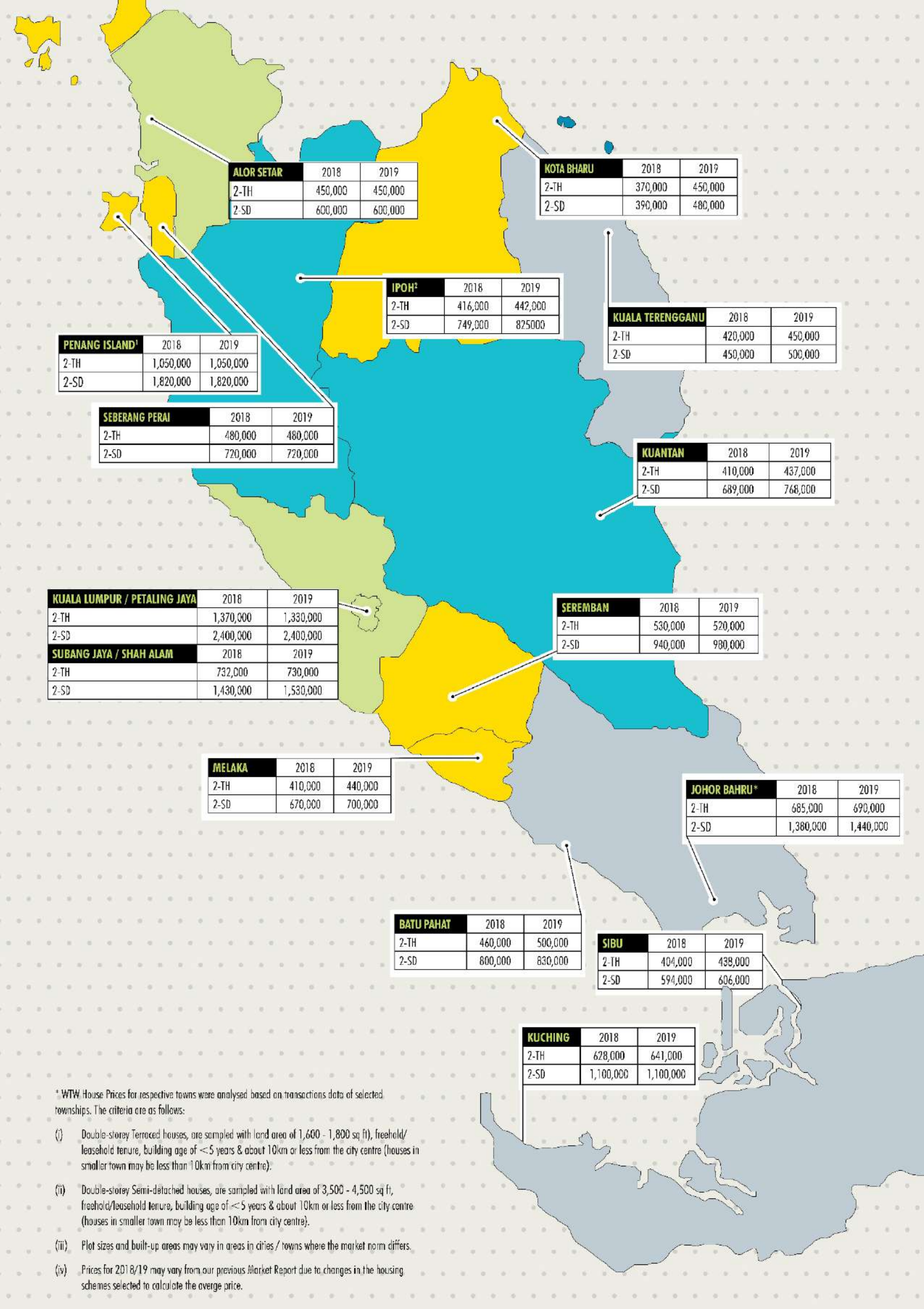
PROJECTS	LOCATION	DEVELOPER	UNIT SIZE (SQ. FT.)	NO. OF UNITS	PRICE (RM PSF)
KLANG VALLEY					
TRION @KL	Kuala Lumpur	Binastra Land	650 - 1,000	1,344	<846
Cubic Botanical @ South Bangsar	Kuala Lumpur	Agile Tropicana Developer	518 - 900	582	>640
PENANG					
Muze @ PICC	Bayan Lepas	Hunza Group	1,087 - 5,264	846	>750
Terraces Condominium	Bukit Jambul	IJM Land	925 - 950	410	>570
Aston Acacia	Bukit Mertajam	Hua Yang Berhad	700 - 1,200	646	>350
Havana Beach Residences	Bayan Lepas	Ideal Property Group	850	1,342 (affordable)	350
JOHOR BAHRU					
Twin Tower Residence @ Bukit Chagar	JB city centre	SKS Group	559 - 1,217	458	735 - 870
Space Residency	Taman Abad/Taman Century	Linbaq Holding	645 - 907	614	>1,000
Sky Estadia	Setia Tropika	SP Setia Group	646 - 1,066	346	550 - 600
Sky Trees Residence	Taman Bukit Indah	SP Setia Group	581 - 1,001	484	575 - 640
Paradigm Residence	Skudai	WCT Holding	530 - 1,123	263	600 - 750
One 49 Residence	Kampung Melayu Majidee	Teguh Harian SB	875 - 1,211	1,388	340 - 435
Camellia Residence	Taman Seri Austin	UMLand Berhad	657 - 950	300	370 - 430
KSL Residence 2	Kangkar Tebrau	KSL Holdings Berhad	463 – 883	1,276	>433
KOTA KINABALU					
Kingfisher Inanam (Block C)	Inanam	Hap Seng Properties Development SB	865 - 1,160	239	573 - 638
Jesselton Twin Towers	Damai	Jesselton Properties SB	649 - 6,982	819	688 - 1,366
Forest Hill (Block A & B)	Bundusan	Peak Sunrise SB	838 – 1,155	396	600 - 645
SANDAKAN					
Kingfisher Sandakan (Block A2, Astana Heights Ph 5C)	Off Jalan Utara	Hap Seng Properties Development SB	751.86 - 1,229.56	192	372 - 488*

Abbreviation: C = Cluster, D = Detached, LCP = Low Cost Plus, T = Terraced, TH = Townhouse, SD = Semi-Detached, SL = Super-Linked, RM = Ringgit Malaysia, Per sq. ft. = per square foot, mil = million
Source: Respective Developers, Price subject to other sales package from developers

NEW LAUNCHES (HIGH-RISE RESIDENTIAL)

PROJECTS	LOCATION	DEVELOPER	UNIT SIZE (SQ. FT.)	NO. OF UNITS	PRICE (RM PSF)
KUCHING					
P' Residence (Block 7 and 8)	Jalan Batu Kawa	Tenaga Stabil SB/Active Pioneer SB	1,169 - 1,286/ 2,523 & 2,533	168	357 - 395
GEM Suites	Off Jalan Stutong Baru	Sin Hai Ming Development SB	861 - 1,214/ 1,624	198	From 463
Liberty Grove @ Kota Sentosa	Off Jln Sg Tapang	Elica SB	1,065 - 1,400	96	400 - 500
Mackenzie Avenue Block A	Jalan Stapok Utara	Lee Onn Construction Co.	1,520	128	300 - 350
Stutong Tiarra 2 (Stutong 7 Residences)	Off Jalan Stampin Baru	Jyrah Realty SB	672 - 1,222	130	385
The Fifth Ryegates	Off Jalan Lapangan Terbang	Lee Onn Construction Co.	861 - 1,277	72	439 - 465
Urban Residences	Jalan Central Timur	E-Heritage SB	1,409 -1,560	136	627 - 723
Yarra Park	Jalan Batu Kawa	Tecktonic & Sons Holdings SB	940 - 1,240	195	400 - 411
Kafaz River Residence	Jalan Haji Mataim	Urbanpro Development SB	740 - 1,200	66	From 440
The Podium	Jalan Keretapi	Chen Ling	964 - 1,460	395	522 - 603
Mackenzie Avenue Block B	Jalan Stapok Utara	Lee Onn Construction Co.	1,520	128	310 - 380
LUMOS Residence	Jalan Ong Tiang Swee	Benta Mewah	1,065 -1,181	72	588 - 740
Armadale Residences	Jalan Durian Burung, Stampin	Tecktonic & Sons Holdings SB	492 - 1,459	141	510 - 570
Avona Residence @ The Northbank	Off Kuching-Samarahan Expressway	Ibraco Berhad	538 - 1,388	298	540 - 550
Doncaster Residence @ Hup Kee	Jalan Hup Kee	Tecktonic & Sons Holdings SB	699 - 1,259	216	417 - 453
Tabuan Residences	Loring Tabuan Timur 3, Jalan Tabuan	Lee Chuan Hong Co. SB	490 - 770	64	535 - 582
The Cheers	Off Jalan Song/Tabuan Dayak	Twin Revenue SB	780 - 800	80	596 - 703
M2 Residensi Matang 2	Jalan Matang - Kampung Paroh	PR1MA Development SB	910 & 978	448	276 - 297
Sapphire On the Park Tower 2	Jalan Batu Lintang	Naim Holdings Berhad	764 - 3,390	166	500 - 600

Abbreviation: C = Cluster, D = Detached, LCP = Low Cost Plus, T = Terraced, TH = Townhouse, SD = Semi-Detached, SL = Super-Linked,
RM = Ringgit Malaysia, Per sq. ft. = per square foot, mil = million
Source: Respective Developers, Price subject to other sales package from developers



ALOR SETAR	2018	2019
2-TH	450,000	450,000
2-SD	600,000	600,000

KOTA BHARU	2018	2019
2-TH	370,000	450,000
2-SD	390,000	480,000

IPOH[2]	2018	2019
2-TH	416,000	442,000
2-SD	749,000	825000

KUALA TERENGGANU	2018	2019
2-TH	420,000	450,000
2-SD	450,000	500,000

PENANG ISLAND[1]	2018	2019
2-TH	1,050,000	1,050,000
2-SD	1,820,000	1,820,000

SEBERANG PERAI	2018	2019
2-TH	480,000	480,000
2-SD	720,000	720,000

KUANTAN	2018	2019
2-TH	410,000	437,000
2-SD	689,000	768,000

KUALA LUMPUR / PETALING JAYA	2018	2019
2-TH	1,370,000	1,330,000
2-SD	2,400,000	2,400,000
SUBANG JAYA / SHAH ALAM	2018	2019
2-TH	732,000	730,000
2-SD	1,430,000	1,530,000

SEREMBAN	2018	2019
2-TH	530,000	520,000
2-SD	940,000	980,000

MELAKA	2018	2019
2-TH	410,000	440,000
2-SD	670,000	700,000

JOHOR BAHRU*	2018	2019
2-TH	685,000	690,000
2-SD	1,380,000	1,440,000

BATU PAHAT	2018	2019
2-TH	460,000	500,000
2-SD	800,000	830,000

SIBU	2018	2019
2-TH	404,000	438,000
2-SD	594,000	606,000

KUCHING	2018	2019
2-TH	628,000	641,000
2-SD	1,100,000	1,100,000

* WTW House Prices for respective towns were analysed based on transactions data of selected townships. The criteria are as follows:

(i) Double-storey Terraced houses, are sampled with land area of 1,600 - 1,800 sq ft), freehold/leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

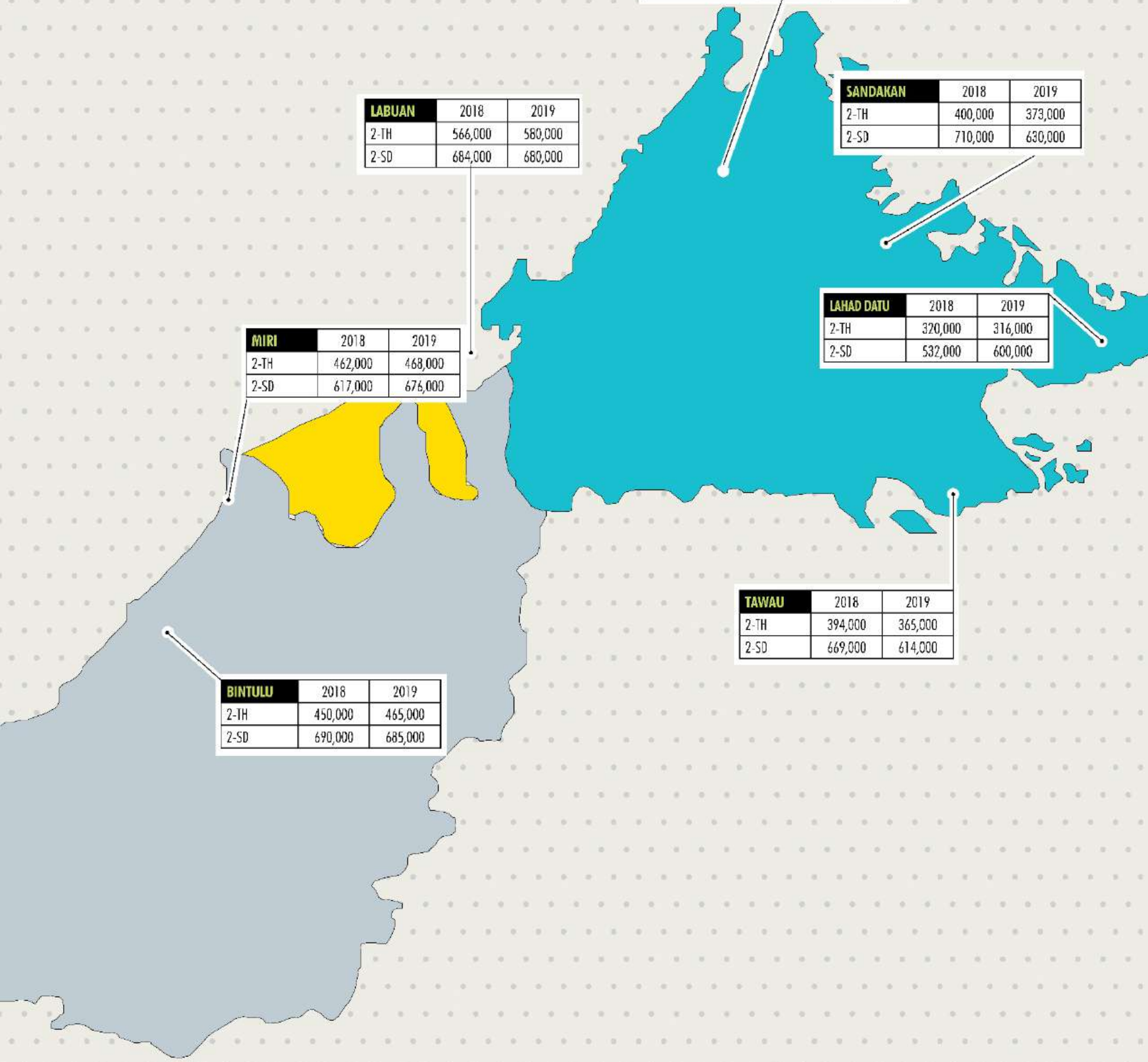
(ii) Double-storey Semi-detached houses, are sampled with land area of 3,500 - 4,500 sq ft, freehold/leasehold tenure, building age of <5 years & about 10km or less from the city centre (houses in smaller town may be less than 10km from city centre).

(iii) Plot sizes and built-up areas may vary in areas in cities / towns where the market norm differs.

(iv) Prices for 2018/19 may vary from our previous Market Report due to changes in the housing schemes selected to calculate the averge price.

2018/2019*

CBRE | WTW MALAYSIA HOUSE PRICE INDICATOR



KOTA KINABALU[4]	2018	2019
2-TH	615,000	590,000
2-SD	1,300,000	1,240,000

LABUAN	2018	2019
2-TH	566,000	580,000
2-SD	684,000	680,000

SANDAKAN	2018	2019
2-TH	400,000	373,000
2-SD	710,000	630,000

LAHAD DATU	2018	2019
2-TH	320,000	316,000
2-SD	532,000	600,000

MIRI	2018	2019
2-TH	462,000	468,000
2-SD	617,000	676,000

TAWAU	2018	2019
2-TH	394,000	365,000
2-SD	669,000	614,000

BINTULU	2018	2019
2-TH	450,000	465,000
2-SD	690,000	685,000

OFFICE

KLANG VALLEY

The soft market and high pipeline supply continued in 2019 for the purpose-built office market. The One Belt One Road initiative and the trade tension between US-China have seen increased Chinese presence in the Malaysian market.

CONCERN ON EXCESS SUPPLY OVER DEMAND

4 completions of purpose-built office (PBO); Menara Etiqa in Bangsar, Symphony Square in Petaling Jaya, Menara Prudential in TRX and KYM Tower in Mutiara Damansara, have pushed up cumulative supply to 111.9 million square feet. Overall vacancy rate continued to increase by 1.0%, y-o-y (3Q 2018: 18.6%). Another 10.23 million square feet or 17 PBOs are in the pipeline which could push the vacancy rate even higher to between 19.9% to 21.5% in the next 3 years. 66% of future supply will be in Kuala Lumpur city, as the preferred location for corporations.

Average Grade A rental remained stable at RM6.95 per square foot, with yields ranging from 5.5% to 6.0%. Wisma MPL in Jalan Raja Chulan was acquired by Asia New Venture Capital in June 2019 , with a transacted price of RM189 million. Similarly, Wisma KFC was sold by Employee Provident Fund (EPF) to Singapore's Royal Group, for RM130 million, which is planned to be converted into a hotel.

Tun Razak Exchange (TRX) welcomed its first tenant, Prudential Insurance into Menara Prudential , leaving a large vacant space at its previous location.

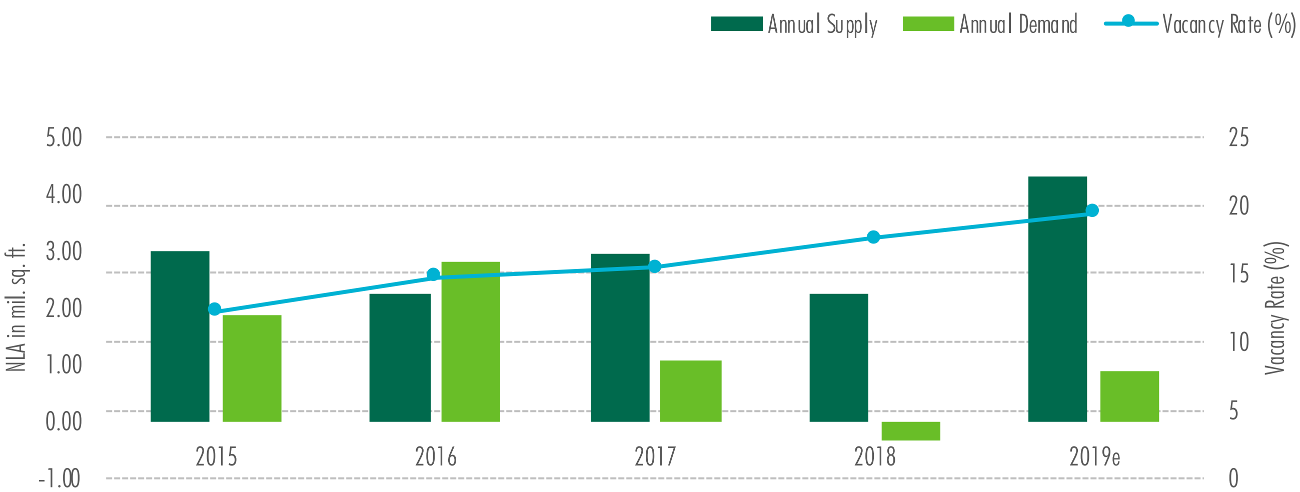
Other financial institutions preparing to relocate to their own buildings in TRX will further increase the void in existing buildings in the Golden Triangle. This has raised the concern of landlords to fill up their soon-to-be vacant buildings.

PBO DEVELOPMENTS TO COMPLETE IN 2020

DEVELOPMENT	LOCATION	EST. NLA (sq. ft.)
Exchange 106	Tun Razak Exchange (TRX)	2,500,000
HSBC HQ (TRX)		570,000
Affin HQ (TRX)		580,000
Menara Hap Seng 3	Jalan Sultan Ismail	240,000
Sapura Corporate HQ	KLCC	500,000
TCM Tower	Jalan Tun Razak	380,000
Tropicana Gardens	Kota Damansara	219,000
HCK Tower @ Empire City	Damansara	347,000

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research.

ANNUAL SUPPLY & DEMAND IN KLANG VALLEY



Abbreviation: NLA = Net Lettable Area, mil. = million, sq. ft. = square feet
Source: CBRE | WTW Research

OUTLOOK
REPURPOSE FOR A NEW LIFE

With rising concern over upcoming supply, existing landlords and investors need to put more effort into asset enhancement or conversion/redevelopment to other commercial or residential uses to preserve property values and existing prime city addresses.

Upgrading of old buildings, especially in less strategic locations, will extend their economic life and value. In fact, countries like Australia and the Netherlands have exemplified diverse and innovative conversions whereby office buildings are being repurposed for education and healthcare uses.

A few older office buildings were successfully converted to hotels such as Holiday Inn Express, Wolo Bukit Bintang, Ansa Hotel and Oasis Suites Kuala Lumpur (previously known as Menara ING, Wisma KLIH, Wisma Peladang and Plaza Atrium respectively). Bangunan Bank Rakyat at Jalan Tangsi was converted to educational use.

By 2020, Menara HLA, a 20-year old office building with 40% current occupancy, is planned to reinvent itself into HLX, Malaysia's first innovation exchange, a combination of traditional tenants and co-working and co-living spaces, F&B outlets, and event spaces. It will be a one stop centre for corporate and start up companies.

However, there needs to be adequate government support to facilitate efficient, hassle-free building upgrading and conversion. Early planning permission from the local authorities is a pre-requisite and a proper viability study must be done for the appropriate alternate usage.

CO-WORK FOR PERFORMANCE

The current trend of flexible/co-working space showed significant growth in 2019, with the entrance of global players and active expansion from local operators. These new space trend is offering various facilities and services for a more enriching business environment.

Landlords may seek co-working space operators to enhance their offerings and provide better amenities within their buildings. A co-working dimension may generate better collaboration and create new occupiers demographics.

Co-working space may increase significant footfall and demand for commercial facilities and amenities. Thus, partnering with co-working operators may be an alternative way to increase rental income and improve landlord-tenants relationships. Proper fit-outs for co-working, especially for aged buildings will enhance the property experience, maximise rents and tenancies.

The current flexible space trend is influencing landlords to redesign their traditional office space to match the needs of the ever changing labour force.

SEREMBAN

The shop office market in Seremban continued to face an oversupply situation, with more demand towards stratified shop offices. This market is mainly driven by investors, which then has impacted on occupancy rates.

Location continued to be the main pull factor. For new commercial areas, international F&B retailers and financial institutions have contributed to higher occupancies.

The PBO sector is a tough market in Seremban with direct competition from shop offices offering lower rentals. Sustainable demand from F&B retailers, focusing on established residential areas, are expected to ease the oversupply situation.

Exchange 106
Source: Mulia Property Development Sdn Bhd

PENANG

As major upcoming Purpose-Built Office (PBO) buildings are scheduled for completion in the medium term, pent-up demand for newer and prime office accommodation would continue in the short term. Active promotion of Penang as a centre of Global Business Services (GBS) by the Penang State Government has prompted the growing demand for MSC status or quality office space. Average rentals would increase slightly in the near future amidst stable occupancy rates. The co-working office space is expected to continue to grow.

PENT-UP DEMAND IN THE SHORT TERM

There was no PBO building completed in 2019. In the past 10 years, new office accommodation in Penang has been limited. Developers were focused on developing apartment/condominium units which provided a faster return.

Office occupiers are seeking for new office buildings which could cater to their contemporary needs and enhance the portrayal of corporate image. New prime PBO buildings such as Hunza Tower and Straits Quay Commercial Suite are enjoying commendable occupancy rates although charging new benchmark rentals. The tenants comprise a mixture of newly set-up offices as well as existing offices relocating from older office buildings.

Pent up demand for newer and prime office accommodation would continue in the short-term as major upcoming PBO buildings are scheduled for completion in the medium term. Older buildings are likely to experience a slide in demand thus lower rentals and capital prices.

DEMAND FOR MSC STATUS OFFICES

The state government has been actively promoting Penang as a centre of Global Business Services (GBS). High quality manufacturing investment which are of knowledge-intensive and innovation-led have been aggressively pursued by the Penang State Government. There will be demand for office space from industrialists/manufacturers progressing upstream to design and research activities, to accommodate the highly skilled workforce and related supporting industries.

In catering to the demand from companies which seek MSC status or quality office space, the Penang Development Corporation (PDC) has commenced construction of GBS@Mahsuri, which is slated to be completed by mid 2020. Located beside the current headquarters of PDC in Bayan Baru, GBS@Mahsuri will feature a 2-storey building offering approximately 80,000 square feet of office space.

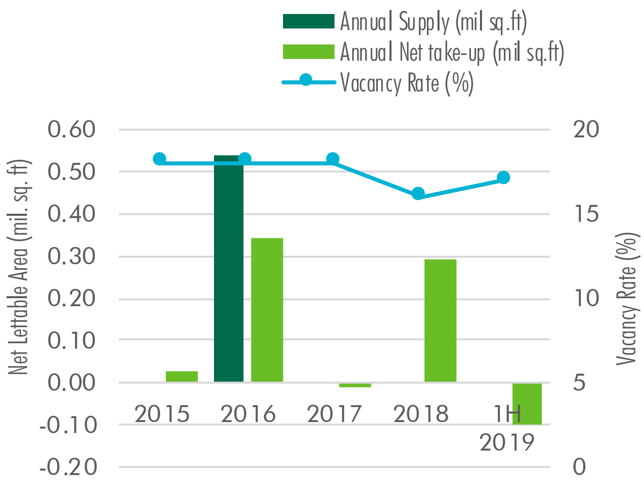
AVERAGE RENTALS WOULD INCREASE AMIDST STABLE OCCUPANCY

The overall occupancy rate of PBO buildings in Penang state generally remained stable at approximately 83%. The overall occupancy rate in Penang Island was approximately 84%, while in Seberang Perai it was 79%. The occupancy rates are anticipated to remain stable in the near future.

Rentals of prime office space in Georgetown were between RM2.50 and RM3.50 per square foot per month compared to RM3.30 to RM4.50 per square foot per month for prime office accommodation outside Georgetown, particularly new buildings in Bayan Lepas/Bayan Baru area and at Bandar Tanjung Pinang.

Rentals of office space in most buildings are expected to increase in the short-term, due to increasing outgoings/ maintenance cost. With newer and prime office buildings entering the market with higher asking rentals, the overall average rental of prime accommodation would also increase.

SUPPLY AND PERFORMANCE OF PBO IN PENANG



Abbreviation: mil. = million, sq. ft. = square feet
Source: NAPIC, CBRE | WTW Research

FUTURE DEVELOPMENTS AWAY FROM CBD

Major PBO buildings are being developed and planned away from the CBD of Georgetown to the south-eastern portion of Penang Island and Seberang Perai. This is due to the land scarcity in the CBD which restrict new development.

GROWING CO-WORKING OFFICE SPACE

The co-working office space in Penang has grown in 2019. Common Ground opened 18,000 square feet at Moulmein Rise Shoppes in Pulau Tikus, Georgetown while Spaces Beach Street opened 25,000 square feet at former Standard Chartered Bank building on Beach Street, Georgetown.

In the near future, co-working office is expected to increase further supported by demand from a diverse range of industries and professions. Larger companies who seek for flexibility and practicality in their workspace arrangement may also opt for co-working space. With the expected growing demand, operators of co-working office space are able to secure office accommodation at attractive rates.

ALOR SETAR

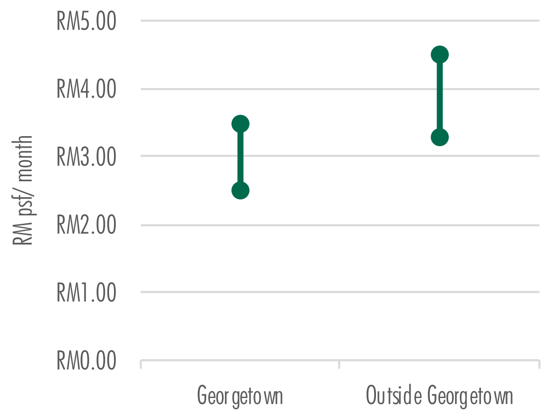
The PBO market has been soft in 2019 due to declining demand and stiff competition from the alternative shopoffice space. Tenant retention with stagnant rental offered is the prevailing market. No significant movement is expected for PBOs in Alor Setar in 2020.

The overall performance of shop offices in Alor Setar in 2019 remained steady, prime locations are highly preferable, especially in newly established residential and commercial areas, with secondary locations benefitting from some spill-over due to limited supply in the primary areas. Rental offered is slightly higher for shopoffices, at RM3.50 per square foot compared to RM2.00 per square foot for PBO space.

IPOH

The performance of shopoffices improved due to increased retail business, office and tourism uses. The overall performance in 2020 will be stable in Ipoh with firm demand and good outlook in terms of occupancy.

PERFORMANCE OF PURPOSE BUILT OFFICE SPACE IN PENANG



Abbreviation: psf = per square foot
Source: NAPIC, CBRE | WTW Research

Artist Impression of GBS@Mahsuri
Source: Penang Development Corporation (PDC)

Artist Impression of GBS@Mahsuri
Source: Penang Development Corporation (PDC)

ISKANDAR MALAYSIA

Purpose-built office (PBO) market remained subdued with new office buildings continue entering the market. The vacancy rate hiked up above 35% and market players are offering competitive rental packages to seize the limited pool of office users.

OFFICE SPACE OVERSUPPLY WORSENS

The PBO sector in Iskandar Malaysia (IM) remains uninspiring. There were two new completions in the region, i.e. d'Pristine in Medini and Menara MBJB in Johor Bahru city centre. These two buildings brought additional 870,000 square feet of lettable space to the already-crowded IM PBO market.

According to NAPIC Report 1H 2019, the existing office space in Iskandar Malaysia was 10.39 million sf, about 7.59 million square feet privately-owned while government buildings took the remaining 2.80 million square feet. Out of 7.59 million square feet of private office space, 5.17 million square feet was occupied in 2018. The vacancy rate by end of 2019 is estimated at about 36%.

The rising vacancy rate is mainly contributed by a huge flow of private office space into the market since year 2014. Between 2014 and 2018, a total of 1.7 million square feet of new office space entered into the market. In addition, 1.78 million square feet of office space is presently in the pipeline and will enter the market by 2020/2021.

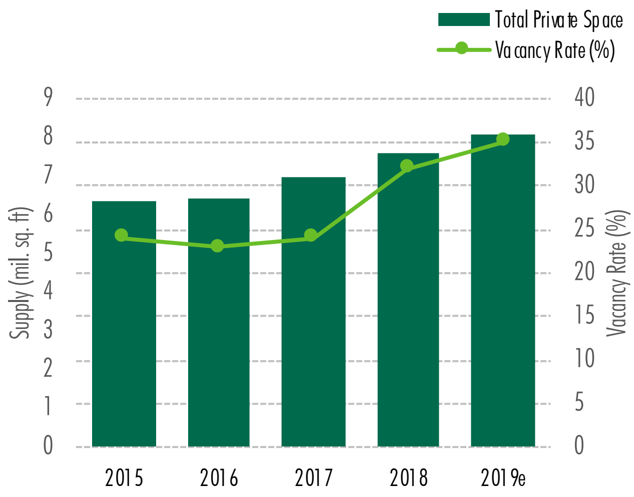
Upon full completion, new PBO will contribute almost 50% of the entire office supply. We anticipate the occupancy of office in IM will remain subdued while competitive rental packages will be offered to attract users.

NOTABLE PBO BUILDINGS TO COMPLETE IN IM

DEVELOPMENT	COMPLETION YEAR	EST. NLA (sq. ft.)
MVS North Tower, Kota SouthKey	2020	350,000
MVS South Tower, Kota SouthKey	2020	350,000
UMCity Premium Corporate Office Tower, Medini	2020	110,000
Medini 10, Medini	2020/2021	415,000
Menara Bank Rakyat@Coronation Square, JBCC	2021	550,000
TOTAL PRIVATE OFFICE SPACE		1,775,000

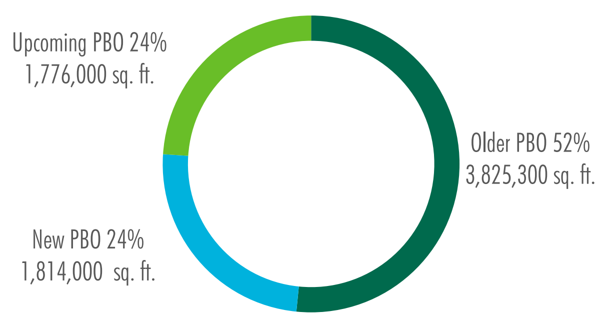
Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research

SUPPLY AND VACANCY RATE OF PRIVATELY-OWNED PBO IN ISKANDAR MALAYSIA



Abbreviation: mil = million, sq. ft. = square feet
Note: Data for the full year of 2019 is based on estimation.
Source: NAPIC, CBRE | WTW Research

TOTAL PRIVATE PURPOSE-BUILT OFFICE IN ISKANDAR MALAYSIA



Abbreviation: PBO = Purpose Built Office, mil = million, sq. ft. = square feet
Source: NAPIC, CBRE | WTW Research

DECLINING RENTAL AND RISING VACANCY

We foresee downward rental adjustments for new PBOs in Johor Bahru city centre and Medini/Puteri Harbour localities in the near future with competitive rental rates ranging from RM4.00 to RM4.50 per square foot and RM3.00 to RM4.00 per square foot respectively. Rental rates for old PBOs in Johor Bahru city centre will adjust to a lower level of RM2.00 to RM3.00 per square foot to retain the existing tenants.

The flight-to-quality phenomenon is expected as the office occupiers look to relocate to newer and better quality office space if competitive rentals are offered by the market.

Old/ageing PBOs will face the risk of losing tenants due to the increasing number of better-featured PBOs in the market. Rental reduction and refurbishments are expected to retain the existing tenants. We reckon the vacancy rate of PBOs will increase to approximately 40% by end 2020.

BATU PAHAT

There was limited supply and demand in the Batu Pahat PBO market in 2019 and overall performance is expected to remained stagnant in 2020.

The shop office segment remained stable in 2019, with more demand coming from F&B retailers. Good locations in established housing areas including Desa Botani Business Park continued to attract sustainable demand. Generally, the PBO and shop office sectors will remain stable, with shop offices still the preferred choice.

MELAKA

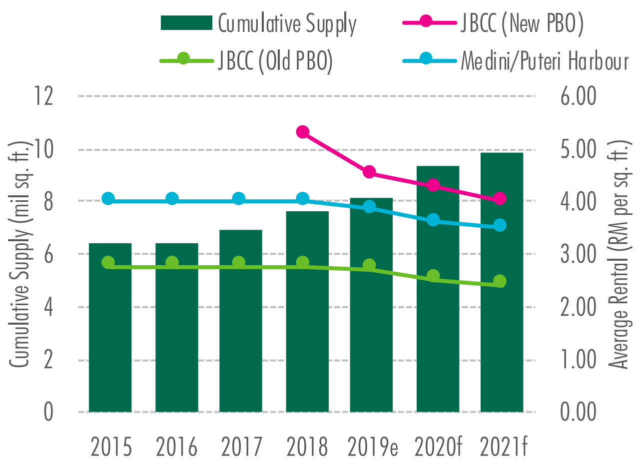
PBO in Melaka remains stable. With no new completions, office rentals will be stable in 2020. Due to weak market sentiment, shop offices were in a downward trend in 2019. However, by expansion of new businesses amongst F&B retailers targeting tourists should boost sentiment. To ease the oversupply situation, developers may opt for pocket developments with main road frontage.

With no real movement, PBOs and shop-offices in Melaka are expected to stagnant. Shop offices are preferred, as rental offered is slightly lower at RM1.80 per square foot compared to RM3.20 per square foot for PBOs.

OUTLOOK

The PBO sector is a tough market with direct competition from shop offices with lower rentals being offered.

CUMULATIVE SUPPLY AND AVERAGE RENTAL OF PRIVATELY-OWNED PBO IN ISKANDAR MALAYSIA



Abbreviation: sq. ft. = square feet, per sq. ft. = per square foot
Note: Data for the full year of 2019 is based on estimation.
Data for full year of 2020 & 2021 is based on forecast.
Source: NAPIC, CBRE | WTW Research

d' Pristine Tower
Source: CBRE | WTW Research

EAST COAST

Requiring a paradigm shift.

KUANTAN

Kuantan's overall PBO market was stagnant in 2019. PBO is not a preferred choice amongst local corporations; demand is mainly by the multi-national corporations for corporate branding and image.

In the rise of online shopping, the oversupply of shop offices in Kuantan increased especially in the outskirts area. Investors and owners remain cautious due to lack of demand from tenants and this sector is expected to remain in a downward trend in 2020. Nevertheless, F&B retailers, local businesses and decentralisation of population are expected to support demand for future developments.

KOTA BHARU

The PBO market in Kota Bharu picked up in 2019 and will continue to be stable in 2020, with limited supply and demand. PBOs are mainly occupied by financial institutions, corporations, insurance companies and government-linked entities which require a good image and better facilities. With no change in tenant movements, rentals have been stagnant. Transaction activity remained slow, and with no new supply, this sector will continue to be quiet.

Shop offices generally remained stable with good demand from F&B retailers, fashion, education and services. Well located shop offices attracted significant demand and good capital value. Vibrant locations such as Kota Bharu and Gua Musang remained attractive despite a drop in transaction activity. Notable transactions recorded for 2- to 4.5-storey shop offices ranged from RM400,000 to RM1 million per unit.

KUALA TERENGGANU

The Kuala Terengganu PBO market was stable throughout 2019, with limited supply and is expected to be stagnant in 2020, with no upcoming developments.

Shop offices also generally remained stable in 2019. The highly anticipated Kuala Terengganu City Centre in Tanjung, consisting of a shopping mall and 4-storey shop offices will stimulate market interest. Shopoffice rentals and yields offered are slightly higher as compared to PBO.

OUTLOOK

PBO is the preferred option amongst large corporations whilst shop offices mainly cater towards local businesses. The outlook for shop offices is better in Kota Bharu and Kuala Terengganu; however investors remained cautious in Kuantan as supply exceeds demand.

KOTA KINABALU: An uneventful year with the office sector remaining muted and slow uptake in occupancy.

OFFICE SECTOR LACKLUSTRE

The office sector is lacklustre with a decline in sub-sale activities up to 3Q 2019 compared to 3Q 2018. The sector is expected to remain little changed except rents turning competitive as supply exceeds demand.

The year saw the demolition of Wisma Gek Poh office building in the Central Business District to make way for a new, 220-room 5-star city hotel to be known as Hyatt Centric Kota Kinabalu. Wisma AIA in Karamunsing locality was also converted into a 37-room boutique hotel known as Stanton Hotel.

Wisma Langat located along Jalan Penampang was completed and opened in 2019. The 6-storey office block also accommodates a sub-basement car park and ground floor retail shops.

LAHAD DATU

The Shop office market in Lahad Datu remained stable in 2019 and is expected to extend into 2020, with demand mainly from small local businesses. The slow demand will exert further pressure on rentals and compress yields.

TAWAU

The office sector in Tawau remains the same as in previous years. Conventional shopoffices are preferred compared to purpose-built offices although new shopoffice launchings have slowed down. 2-storey shopoffices are the most transacted, with prices ranging from RM890,000 to RM1.3 million. Predominant use for the ground floor retail portion are for food and beverage (F&B) and entertainment.

LABUAN

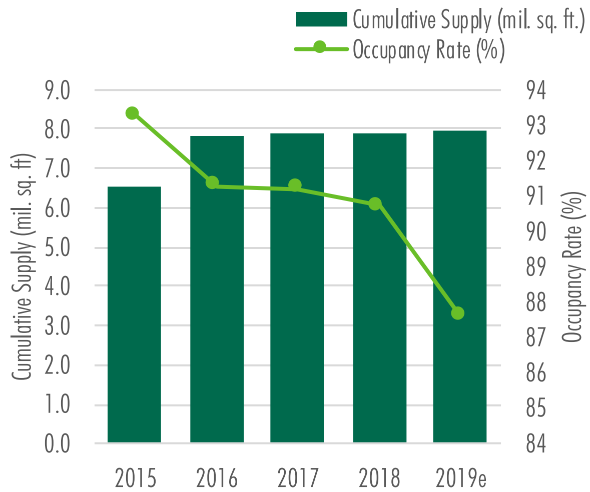
Purpose-built office space in Labuan are mainly sought by offshore companies. The market is expected to remain stable in 2020 with no new supply. The performance of shop offices remained firm as most of the units are already clustered in Labuan town centre, primarily occupied by businesses related to the offshore companies in Labuan. The shop office market in Labuan is expected to be stable with sustainable rents and yields.

OUTLOOK

Office demand in Labuan is dominated by offshore companies. In Tawau, shopoffice demand comes from local businesses and F&B retailers.

Wisma Langat
Source: WTWS Research.

SUPPLY OF PURPOSE-BUILT OFFICE IN KOTA KINABALU



Abbreviation: mil sq. ft. = million square feet, per sq. ft. = per square foot .
Source: NAPIC, CBRE | WTWS Research.

KUCHING: Demand for purpose-built offices continues to be stagnant with demand confined to pre-leased tenants or government agencies. Shop-offices are in abundance and having a challenging time trying to rent out.

PURPOSE BUILT OFFICE SECTOR REMAINED STAGNANT

2019 was a quiet year for the PBO sector in Kuching. There were no new office projects launched or completed in 2019. Due to the increased stock of office space in the market and with shop offices constituting a significant share of the completions, take up and rentals remain stagnant with rentals averaging about RM2.70 per square foot.

SHOP OFFICES IN ABUNDANCE

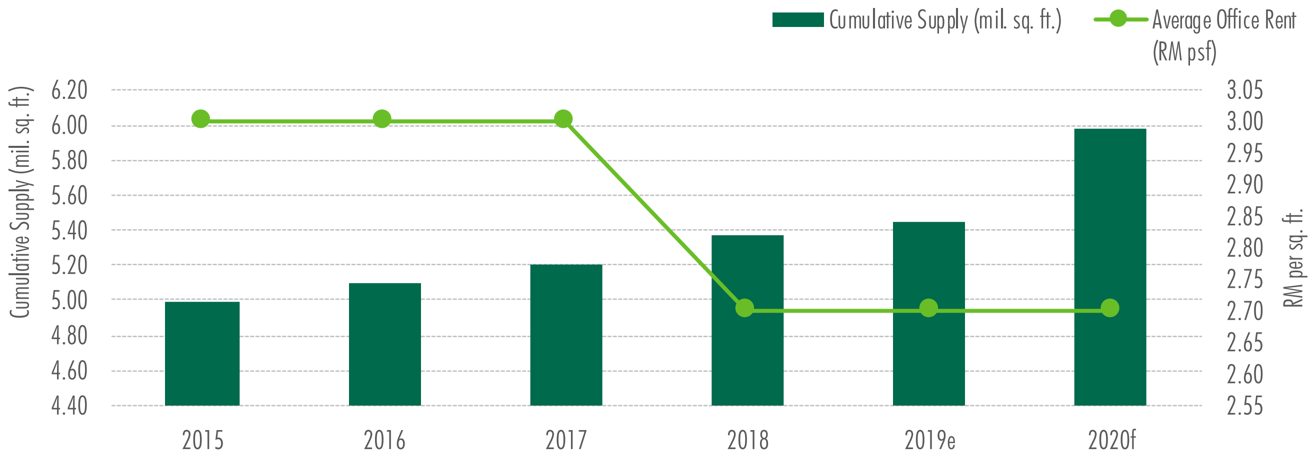
2019 saw a substantial decrease in completions of shop offices in Kuching. Based on NAPIC's data, incoming supply as at 2Q 2019 is estimated at 800 units, a drop from the previous y-o-y figure of 1,053 units, of which 15% were started this year. New commercial shops launched include The Northbank Shop Office (23 units) along the Jalan Kuching-Samarahan Expressway and Pines Square (154 units) at Eden Parade along Jalan Batu Kawa.

The significant increase in total supply of shop offices in the Kuching market is still felt in the high vacancy rates and reduced shop office rentals and sales.

2019 saw the completion of 8 units of 3- and 4-four storey shopoffices at TT3 Plaza, the last phase of their overall Tabuan Tranquility township, which will also include a 14-storey SOHO with commercial podium, a 6-storey education block and a food court; and the last twenty-three units of shop offices at Gala City Prime developed by M/s Tecktonic & Sons.

Gala City Prime shops at Jalan Tun Jugah
Source: WTWY Research.

SUPPLY AND RENT OF PURPOSE-BUILT OFFICE IN KUCHING



Abbreviation: RM = Ringgit Malaysia, mil. = million, per sq. ft.= per square foot
Note: Data for the full year of 2019 is based on estimation
Source: NAPIC, WTWY Research.

MIRI

PBO in Miri is a niche market due to limited supply and demand and mainly occupied by oil and gas related businesses. The market is expected to remain stable. Shop offices are facing an oversupply challenge and continued to show a downward trend. The oversupply situation in Miri is expected to continue in 2020.

BINTULU

The PBO market in Bintulu remained stagnant in 2019 and will continue into 2020. However, there was a downward trend for shop offices, thus becoming a tenant's market with various space options and lower rentals. Matured/established shop office locations are more preferred.

SIBU

PBOs in Sibu were stable in 2019, and expected to continue in 2020, driven by companies seeking better corporate image and branding.

The shop office market also remained stable, with slow recovery from oversupply, mainly driven by the increasing trend of F&B and local businesses in prime locations. New developments strategically located in neighbourhood areas, are expected to gain good take up.

OUTLOOK

The PBO is a niche market with limited supply and demand and remains generally stagnant for all markets. Construction of such is adhoc.

Oversupply situations persist in the shop office market segment for Sarawak. A recovery in the Sibu market is possible with increasing demand from F&B and local businesses, whilst other markets are finding it tough to fill up the vacant/vacated units.

TT3 SOHO at Kuching-Samarahan Expressway
Source: WTWY Research.

TT3 Plaza Shop Offices at Kuching-Samarahan Expressway
Source: WTWY Research.

RETAIL

KLANG VALLEY

Traditional shopping is currently challenged by modern approaches, leveraging on technology and increasing customers' demand for lifestyle experiences while shopping. Millennials have also pushed retail boundaries towards a community concept; everything is in one place.

A STEADY RETAIL MARKET

Retail sales growth as of 3Q 2019 decreased from the previous quarter to 1.8%. The Malaysian Institute of Economic Research (MIER) Retail Trade Index (RTI) also fell 9 points in 3Q 2019 to 84 points, the lowest reading since 4Q 2017. These numbers portray weak purchasing power in the retail market. Consumers are more cautious and concerned.

Retail space in Klang Valley increased by 940,000 square feet with the completion of Central Plaza @ i-City which marked many firsts in Selangor: the first SOGO, first IMAX cinema and first Village Grocer. The mall is currently well-occupied with its layout, retail offerings and facilities inspired by a blend of Malaysia and Thailand-inspired innovations and concepts. Coming up by year end is Sime Darby Property's Quarza Mall.

By 2020, more retail mall space will be completed Outside Kuala Lumpur: 1.98 million square feet compared to 611,500 square feet in Kuala Lumpur.

As at 3Q 2019, the occupancy rate of retail malls in Kuala Lumpur rose slightly while those Outside Kuala Lumpur decreased slightly. Overall, retail occupancy in the Klang Valley remained positive.

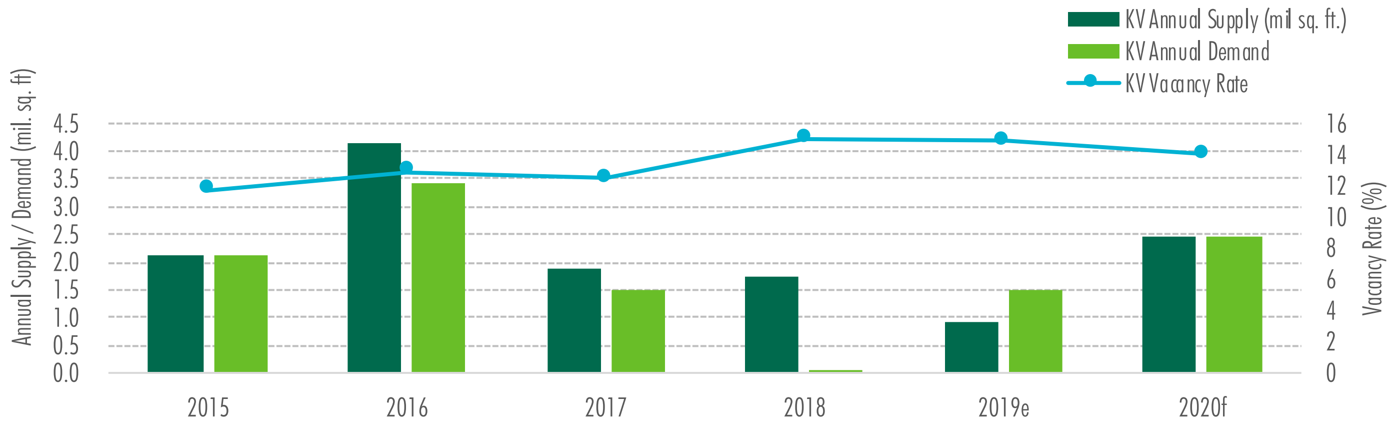
From REITs 2018 annual reports, the average net rent of prime malls was around RM16 per square foot per month. Malls in Kuala Lumpur had a higher average net rent of RM29 per square foot in 2018 while Outside Kuala Lumpur the average net rent was RM16 per square foot.

SELECTED NEW RETAIL MALLS IN 2020 - 2022

YEAR	DEVELOPMENT	LOCATION	EST. NLA (sq. ft.)
2020	Sapura Corporate HQ	KL City Centre	120,000
	Tropicana Garden Mall	Kota Damansara	1,000,000
2021	Datum Jelatek	Jelatek	491,500
	Eco Hill Walk Mall	Kajang	170,000
	Tun Razak Exchange Lifestyle Quarter	Tun Razak Exchange	1,300,000
	Warisan Merdeka Mall	Stadium Merdeka	900,000
	Mitsui Shopping Park Lalaport KL	Bukit Bintang	1,200,000
2022	Pavilion Bukit Jalil	Bukit Jalil	1,800,000
	Empire City Mall	Damansara Utama	2,000,000
	Pavilion Damansara Heights	Damansara Heights	1,100,000

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research.

SUPPLY AND PERFORMANCE OF RETAIL IN KLANG VALLEY



Abbreviation: KV = Klang Valley, mil. = million, sq. ft. = square foot
Source: CBRE | WTW Research

Parkson exited Suria KLCC after 20 years which will impact the retail trade mix. Sungei Wang Plaza was refurbished with an improved façade and interior design, including a new zone named “Jumpa” featuring a family entertainment park. Starhill Gallery has started renovation works to re-brand as The Starhill in 2021.

There were several international brand entries into Klang Valley’s retail market ranging from beauty and wellness, entertainment, accessories and apparels, to F&B - Wycon Cosmetics, Le Labo, Manekineko, Tiger Sugar, Christian Loubotin and Steve Madden.

Departmental stores are fighting for survival while niche supermarkets and convenience stores are building their way up in the retail market.

OUTLOOK
TECHNOLOGY ADVANCES

Traditional shopping is being challenged by technology inroads adopted by businesses and retail malls. This is in the form of online payment, online shopping platform, brand specialized application, artificial intelligence, augmented reality and more.

A number of malls have rolled out shopper tracking systems to identify shoppers’ characteristics, frequency of visit and buying patterns in order to enhance marketing and promotional strategies.

Mall navigation applications were introduced to improve shoppers’ convenience. A few malls and retailers are introducing facial-recognition cameras which will track the in-store journeys of customers.

Enhancing customers’ shopping experiences through technology usage is currently a focus of retail malls, which is seen crucial as a pull factor. Following on the rising trend of social media, retail malls are also developing attractions through local artists, such as mural arts and more, which create new experiences for customers.

BRINGING LIFESTYLE/COMMUNITY INTO RETAIL MALLS

The focus of retail malls has expanded into multifunctional mixed-use spaces for the community with a variety of activities including working out, dining, playing, learning, reading and the latest offer; co-working such as Common Ground in MyTown Shopping Centre and WORQ in KL Gateway Mall. These innovations could decrease vacancy and drive additional foot traffic into a retail mall.

“Retailtainment” is also becoming an attraction especially for millennials, offering new experiences, entertainment, adventure and games. It is a growing trend in the retail market meant to deliver excitement and attract customers.

SEREMBAN

Retail mall performance in Seremban is expected to remain stable into next year. AEON Nilai which started operation in 1Q 2019 is a strong retailer attracting shoppers from Seremban and Klang Valley. Education institutions and industrial players in Nilai may contribute more foot traffic.

It will be a benchmark for other neighbouring retail malls following the current trend for multi-function malls for shopping, leisure activities and family gatherings, all under the same roof.

Central i-City, Shah Alam, Selangor
Source: CBRE | WTW Research

PENANG

The retail property sector is generally subdued. Disparity in performance between the better and under-performing retail complexes will remain obvious. Competition is anticipated to intensify with new retail complexes entering the market.

LESS OPTIMISTIC MARKET

Lately, the prevailing consumer and business sentiment has been less optimistic. This sentiment is expected to prolong to the near future.

Consumers from the low-income group will be anxious about rising prices. Shopping plans will be limited by flagging purchasing power. Household demand will proceed cautiously, particularly for interest- sensitive and big ticket items . It may impact retailers' revenue and their ability to pay rentals.

Revenue for retailers is expected to sustain but not grow as consumers could be held back by lack of income and eroded purchasing power due to rising cost of living. Hence, the ability of retailers to pay increased rentals would be constrained. In turn, prices and rentals are likely to be flat in the near future.

OBVIOUS PERFORMANCE DISPARITY

The incoming retail complexes are better planned in terms of design and concept to attract shoppers which will increase challenges to ageing retail centres. The existing retail centres have to put on a lot more effort to stay competitive in the market. Hence, the mixed performance among retail complexes is expected to be more obvious in the future. Single ownership retail complexes such as Gurney Plaza, Gurney Paragon and Queensbay Mall on Penang Island, and Sunway Carnival and Aeon Mall in Seberang Perai, are expected continue to sustain their occupancy rates and high rentals. On the other hand, most stratified shopping complexes with multiple ownership with poorer tenant mix experienced reduced occupancy rates and rentals due to low footfalls and business volume. Older and underperforming complexes are also likely to drag down the overall occupancy rate and average rental. As such, the disparity in performance among retail complexes is anticipated to remain obvious in the future.

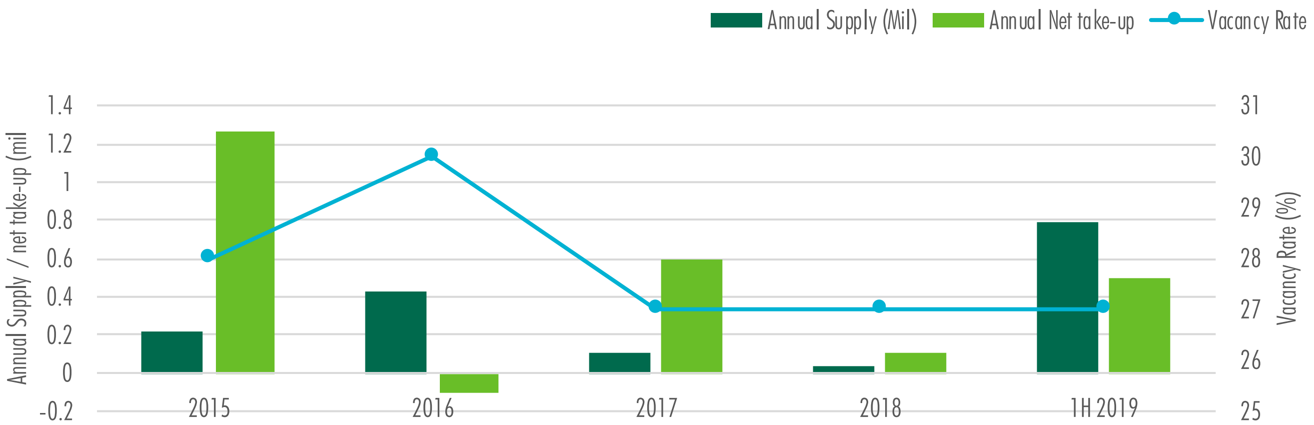
ADDED SHOPPING OPTIONS

In 2019, Tesco Bagan Ajam (approximately 100,000 square feet) and Ikea Batu Kawan (approximately 470,000 square feet), opened for business in Seberang Perai. City Junction (formerly known as City Mall @ Tanjung Tokong) was also completed and progressively filled. Based on notable upcoming complexes, a substantial increase of supply will be seen in the medium-term.

EN-BLOC TRANSACTION

A subsidiary company of Ideal United Bintang International Berhad (IUBIB) entered into a Conditional Sale and Purchase Agreement in September 2019 to purchase 1st Avenue Shopping Mall. The transacted price was RM153 million, or approximately RM375 per square foot on the net lettable area of 407,076 square feet. Opened nine years ago, 1st Avenue Mall is located in George Town and is connected to Komtar and Prangin Mall, through indoor pedestrian bridges.

SUPPLY OF RETAIL COMPLEXES IN PENANG



Abbreviation: mil. = million, sq. ft. = square foot
Source: CBRE | WTW Research.

MARKET REPOSITIONING

The emergence of mobile shopping applications and online shopping have given pressure to retail centres. While the online boom has generally impacted the traditional bricks-and-mortar retailers, certain retailers have redefined themselves by using e-commerce and thrive in the digital economy.

Omnichannel or online-to-offline (O2O) retailing model has been embraced by many retailers to drive their business. The customer can seamlessly shop online from a desktop, mobile device or at a physical store. For example, fashion retail brand Uniqlo allows customers to buy its products online — either via its website or mobile app — and collect them at their preferred outlet. Retail centres are anticipated to reposition their physical retail space to provide retail-tainment / active entertainment experiences that only physical retail stores can offer. As such, shopping malls would have to be repositioned as interaction centres for leisure, social and recreational activities to provide more entertaining experience which appeal to shoppers.

ALOR SETAR

Hypermarkets remain as the main concept in Alor Setar. Retail performance declined in 2019 and is expected to extend into the following year. Some of the challenges in Alor Setar's retail market is lower occupancy rate due to local shoppers growing attraction to online shopping and more cautious spending. New and old malls are also competing for take up rate and shopper traffic against one another.

Demand for retail here mostly comes from the local Alor Setar shoppers hence necessary changes may be needed to sustain existing malls and induce higher shopper traffic.

IPOH

Retail mall performance in Ipoh remained stable in 2019 and is expected to extend into 2020. Entries of a few well-known international brands and franchised outlets sparked interest in the retail market. However, online shopping platforms are challenging retail malls in Ipoh as elsewhere in the country.

NOTABLE PURPOSE-BUILT RETAIL COMPLEXES TO COMPLETE IN PENANG

DEVELOPMENT	EST. NLA (sq. ft.)	COMPLETION YEAR
PENANG ISLAND		
Penang Time Square Phase 3	230,000	2020
Retail Mall @ Sunshine Tower	900,000	2021
SEBERANG PERAI		
Sunway Carnival Extension	500,000	2022
GEMS Megamall	1,200,000	2022

Abbreviation: EST. = Estimated, NLA = Net Lettable Area, sq. ft. = square feet
Source: CBRE | WTW Research

IKEA Batu Kawan
Source: CBRE | WTW Research

ISKANDAR MALAYSIA

The entry of new malls will undoubtedly bring additional pressure to the retail market. However, branded malls with strong management are still expected to outperform with strong footfall and good take-up.

NEW MALLS SPRINGING UP

New shopping malls were springing up all over Iskandar Malaysia, exciting avid shoppers in the region. In 2019, Iskandar Malaysia welcomed the opening of 5 malls, i.e. R&F Mall, The Mall @ Mid Valley SouthKey, Toppen Shopping Centre JB, Beletime Danga Bay and Sunway Big Box. There were also the openings of the third phase of Johor Premium Outlets (JPO) and Tesco Setia Tropika.

The above-mentioned new malls and hypermarkets added a total of 3.34 million square feet of retail space into the market, bringing the total retail space to approximately 21.88 million square feet.

There are 4 upcoming malls with expected completion around 2020/2021, which will contribute an additional 1 million square feet of retail space. With the emergence of new malls, stiff competition between malls is expected, bringing pressure on both rental and occupancy rates.

AFTERMATH OF NEW MALLS

Shopping malls with strong management teams to curate the right tenant mix and concepts are envisaged to perform well and secure high occupancy rates. Retail malls such as Paradigm Mall, The Mall @ Mid Valley SouthKey, Johor Bahru City Square and Aeon Tebrau City have good brand names and are able to drive footfall and dominate the market in their respective localities.

In contrast, shopping malls which cannot maintain their footfall will face the difficulty of retaining retailers or even closure of the mall. For instance, Danga City Mall in Johor Bahru city centre closed for business in mid 2018 while Skudai Parade, auctioned 231 stratified retail lots in the market.

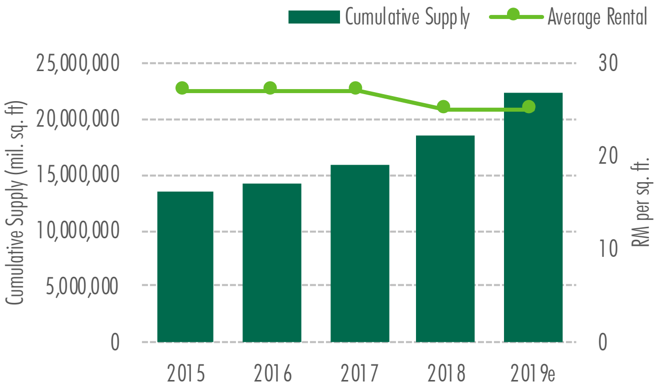
Hypermarket operator GCH Retail Sdn Bhd also closed down its Giant Hypermarkets located at Taman Nusa Bestari and Taman Pulai Utama. These 2 stores have been taken over and are currently operating as TF Value-Mart. It is possible more hypermarkets will close especially with over-competitiveness within the same catchment area.

STABLE RENTAL AMIDST INCREASING VACANCY

The average rental for prime shopping malls in good locations remained around RM25 per square foot. Prime shopping malls registering strong footfall are envisaged to have positive rental reversions. In comparison, rental reduction can be foreseen by struggling shopping malls.

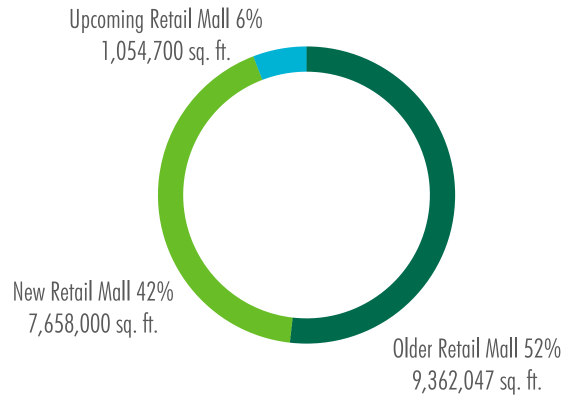
Based on a retail survey, the vacancy rate for retail malls in 2019 stood at approximately 30% and may increase to 35% in 2020.

CUMULATIVE SUPPLY AND AVERAGE RENTAL OF RETAIL MALL IN ISKANDAR MALAYSIA



Abbreviation: RM = Ringgit Malaysia, mil = million, sq. ft. = square feet, per sq. ft. = per square foot
Note: Data for the full year of 2019 is based on estimation.
Source: NAPIC, CBRE | WTW Research

SUPPLY OF RETAIL MALL IN ISKANDAR MALAYSIA



Source: NAPIC, CBRE | WTW Research

SHOPPING PARADISE IN SOUTHERN MALAYSIA

With the invasion of new shopping malls, an increasing number of foreign retailers are flocking to Iskandar Malaysia. Several brands such as MUJI, Cziplee, TSL Jewellery, KyoChon, Carl's Jr, Kiddomo, SOGO and Ben's Independent Grocer opened shop. In addition, Chinese-built shopping malls viz. R&F Mall and Beletime Danga Bay brought a number of Chinese brands into the market such as Emperor Cinema, WOMEI 3D Cinema, LOVEYOYO Theme Park and Oregin Ji Ke.

BATU PAHAT

There are only 3 malls in Batu Pahat which are Batu Pahat Mall, Square One Shopping Mall and The Summit. Retail malls in Batu Pahat are performing well with stable rental and yield, albeit a small supply. However, The Summit Batu Pahat faced a decrease in its occupancy rate which may be due to less vibrant attractions compared to the other existing retail malls.

MELAKA

Consistently a tourist hotspot over the years, new malls are expected to emerge. Expectations of the future retail market is the increase of retail space but also a decrease of occupancy rate. However, the current performance of retail malls in Melaka remains stable and is expected to extend into 2020.

OUTLOOK

With the modification of shopping malls' concept into one-stop centers providing a variety of F&B and entertainment choices, Iskandar Malaysia's retail market will continue to thrive for both locals and Singaporean visitors.

The performance of retail malls in the Southern Region will remain positive. Retail malls in Melaka are focusing on both local shoppers and tourists. Meanwhile, local shoppers with increasing demands are the main attention in Batu Pahat.

The Mall @ Midvalley Southkey
Source: CBRE | WTW Research

Toppen Shopping Centre
Source: CBRE | WTW Research

EAST COAST

A quiet gem in the making, the retail market in the East Coast has deepened with a wider retail mix and new brands to grasp shoppers' attention.

KUANTAN

The take up rate of retail spaces in 2019 was more active compared to the previous year, and is expected to continue positively into 2020. Yield and rental performance is expected to be stable. The sustainability of the Kuantan malls is supported by new retail brands and wider variety of F&B and to entice local shoppers. This curtailed challenges from Kuala Lumpur malls which are only 3 hours away by car.

KOTA BHARU

An upcoming mall with retail space of about 369,000 square feet named Platinum Wholesale City Mall is expected to be completed in 2020 in Kota Bharu. This new mall will be offering a new concept in Kota Bahru similar to Kenanga Wholesale City Mall in Kuala Lumpur.

Al-Waqf @ Tunjong is also expected in Kota Bharu's retail market with an approximate retail space of 350,000 square feet. Retail malls in Kota Bharu have been performing positively and is expected to improve in the following year. Kota Bharu's retail market has also witnessed a rising demand for retail variety, new brands and trends in upcoming and existing retail malls.

KUALA TERENGGANU

The retail market in Kuala Terengganu is still dominated by a few large hypermarkets namely Mydin, Giant and The Store. Existing retail malls face less competition due to limited supply, but the SOGO managed KTCC Mall which is expected to be ready by 2020, may change the retail landscape. The rental and yield of retail malls is stable and is expected to extend into 2020.

OUTLOOK

The established trend of retailing in the East Coast Region are mostly hypermarkets. However, shopping malls in Kota Bharu, Kuantan and Kuala Terengganu are gaining traction. Retail malls' performances show positive numbers, which is encouraging more investments in Kota Bharu and Kuala Terengganu.

Al-Waqf @ Tunjong, Kota Bharu
Source: CBRE | WTW Research

Platinum Mall, Kota Bharu
Source: CBRE | WTW Research

RETAIL

SABAH

KOTA KINABALU: No major change from previous years with well-managed and strategically located malls having sustained occupancy and footfall whilst the newer stratified malls are still playing catch up.

NO SIGNIFICANT CHANGES

Generally, the retail sector in Kota Kinabalu has been quiet with limited transaction activities. Occupancy and take-up of retail space in newer stratified malls have been gradual with suppressed values and rents as supply exceeds demand. Pressure is also on the older malls to reinvent to stay vital. Amidst oversupply of malls, quality retail malls with ever-evolving tenant mix are expected to retain their performance.

Based on JPPH's Property Market Report First Half 2019, occupancy rate of shopping complexes in Kota Kinabalu, Penampang and Putatan is around 78.5%, which is marginally lower than 80.7% for the first half of 2018.

In Kota Kinabalu, incoming new supply will come from the 72,000-square feet Inanam Mall in Inanam township which is expected to open in 1Q 2020, which add about 11% to existing supply of retail space within shopping malls. Presently, the only major retail mall under construction is Pacificity in Likas Bay. It was also reported that the abandoned Star City Complex has been proposed to be converted into a high-rise mixed development to be known as KK One.

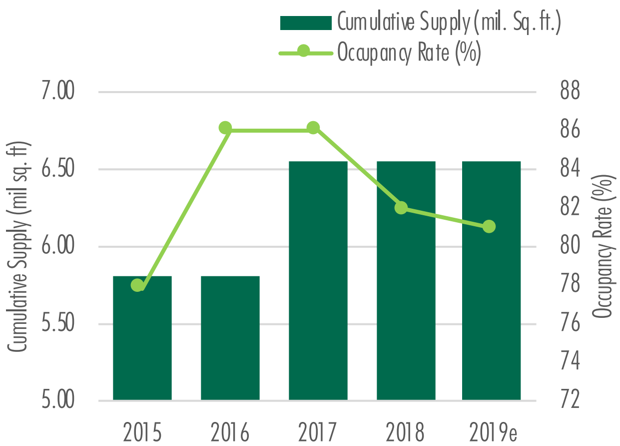
SANDAKAN

There is only one retail mall known as Harbour Mall. The year also saw the opening of the district's first Starbucks drive-thru in Bandar Utama and Mydin Hypermarket in Sejati Commercial.

OUTLOOK

Generally, the overall retail performance in Sabah is stable and this will extend into 2020.

SUPPLY OF RETAIL MALLS IN KOTA KINABALU, PENAMPANG & PUTATAN



Abbreviation: RM = Ringgit Malaysia, mil = million, sq. ft. = square feet
Note: Data for the full year of 2019 is based on estimation.
Source: WTWS Research

Pasar Raya Besar Mydin, Sandakan
Source: WTWS Research

SARAWAK

The retail sector is facing difficult times with falling occupancies and reduced rentals, made worse by over supply of retail malls

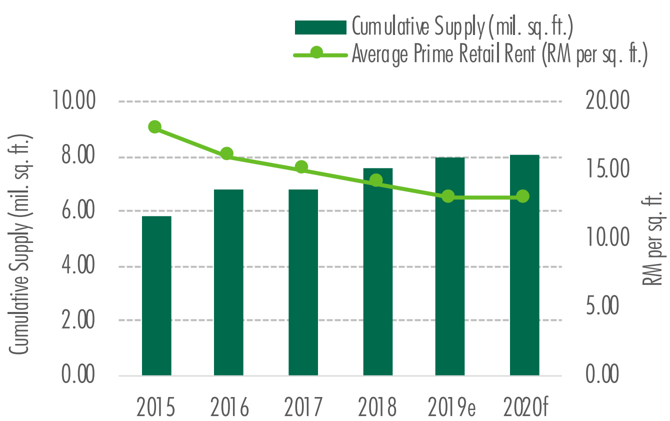
FALLING OCCUPANCIES

The retail sector in Kuching is now feeling the brunt of the over supply of retail malls completed in recent years amidst the current economic downturn. Retailers are taking measures such as relocating, downsizing and restructuring in order to survive. Some exits of major retailers were witnessed in 2019, such as Metro Jaya from CityOne Mall and Parkson from Riverside Shopping Mall. A local premium stand-alone supermarket named Ting & Ting Supermarket decided to call it a day after 62 years of operation.

Older malls are seen succumbing to high vacancies. Some of the once-thriving malls are now a sad sight of vacant roller-shuttered units. The increased supply of retail space in recent years, coupled with the recent economic slow-down have adversely affected the retail market, with lower occupancies translating into lower asking rentals hovering around an average of RM13 per square foot.

A hybrid retail mall known as Aeroville was completed in 2019. It houses 2 anchor tenants which are Econsave Supermarket and Hoi Tin Lau restaurant. The former Ting & Ting Supermarket space is now occupied by What About Kuching (WAK) event organizer, a centre for craft exhibitions, art performance events and lifestyle statements. Retail complexes currently under construction are Tropics City Mall at Jalan Song and the Forum at Jalan Stampin Tengah.

SUPPLY AND RENT OF RETAIL MALLS IN KUCHING



Abbreviation: RM = Ringgit Malaysia mil. = million, sq. ft. = square feet, per sq. ft. = per square foot
Source: WTWY Research

MIRI/BINTULU

The oil and gas industry and its location near Brunei are the primary factors for Miri's positive retail market. Still, consumers are being prudent in their spending due to the rise of living costs. Meanwhile, Bintulu is expecting a challenging retail market the upcoming mall namely Crown Pacific Mall and Boulevard mall which will add additional supply to the market.

OULOOK

Inflationary pressures have dampened domestic demand leading to a highly challenging and competitive local retail business environment which has already seen a fair share of retailers dropping out. Coupled with the significant increase in retail space offered in the local market, Sarawak's retail market is expecting a general drop in its performance.

There is a dire need for the struggling malls to innovate, recreate and reinvent themselves in order to remain relevant.

Aeroville Mall @ Stutong Baru
Source: WTWY Research

INDUSTRIAL

Growing demand for last-mile deliveries are in line with the expansion of e-commerce. Efficiency and accessibility will top as the main criteria for logistics players to match the needs between air or sea ports and end users.

LOOKING BRIGHT

Klang Valley remained as top 3 regions for investment in Malaysia. From January to September 2019, Klang Valley attracted RM16.59 billion of approved investments or 28.8% of total approved investments. Foreign interest constituted RM11.17 billion of the investments.

Future industrial supply totalled 2,700 units as reported by NAPIC. Semi-detached units consists of 48% or 790 units of the planned supply.

Located on a 7.15-hectare site, Area Logistics @ Ampang contributed 1.2 million square feet upon completion in 4Q 2019. It will be the first 3-storey ramp up inner-city mega distribution hub, in line with fast growing e-commerce needs for last mile delivery.

E-COMMERCE: ON TRACK

The total volume of air cargo handled from 1Q to 3Q 2019 was 517,000 metric tonnes (1Q – 3Q 2018: 540,000 metric tonnes). Despite the decrease y-o-y, the air freight volume is expected to increase as e-commerce expands.

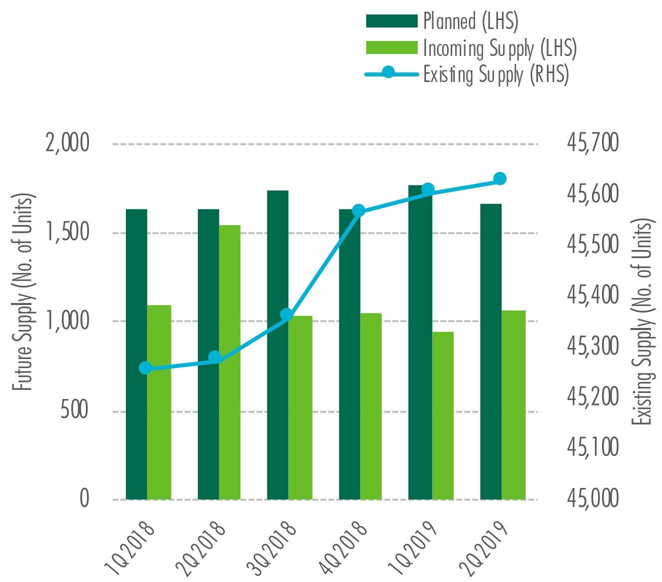
Sales growth from e-commerce platforms resulted from increasing usage, creating opportunities for logistics and distribution activities.

The KLIA Aeropolis Digital Free Trade Zone (DFTZ) development is expected be operational by September 2020. 1.2 million square feet will provide cargo and warehouse facilities to host some of the e-commerce players and logistics players.

Looking forward, Sime Darby Property Bhd, Mitsui & Co Ltd and Mitsubishi Estate Co Ltd have formed a joint-venture - SDMIT Development Sdn Bhd to develop 39 acres of industrial land in Bandar Bukit Raja. Easy access provided by the upcoming West Coast Expressway (WCE) will strengthen demand for logistics and other industrial facilities.

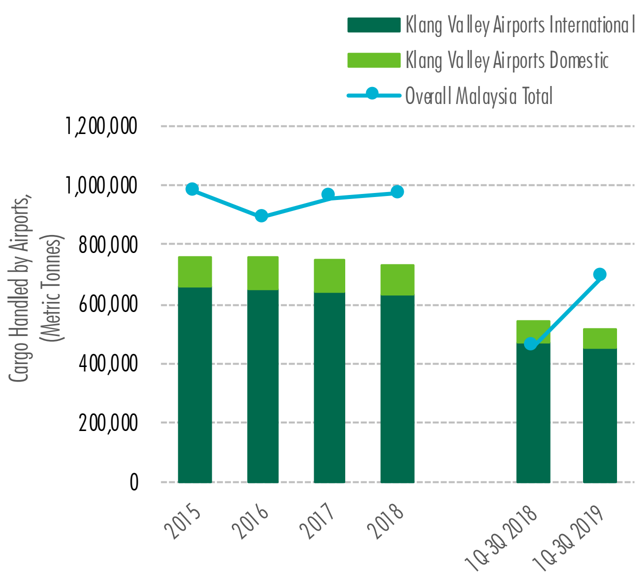
Meanwhile, the Ministry of International Trade and Industry (MITI) has set aside RM43 million to enhance the existing Industry4WRD programmes.

INDUSTRIAL PROPERTY SUPPLY 1Q 2018 – 2Q 2019



Source: NAPIC, CBRE | WTW Research

AIR CARGO MOVEMENT IN KLANG VALLEY



Source: Ministry of Transport (MOT), CBRE | WTW

OUTLOOK

At present, Port Klang's handles about 12 million TEUs (Twenty-Foot Equivalent Units) per annum. Westports' extension to create an additional capacity up to 30 million TEUs has been approved by the government which will boost the container growth and enhance connectivity in Port Klang.

The government allocation of RM50 million in Budget 2020 for the repair and maintenance of roads to Port Klang will also improve access.

To improve the movement of cargo between Serendah and Port Klang, the feasibility study on the proposed Rail Bypass is expected to kickstart next year.

Potential industrial growth along the railway route would be on the watchlist.

SEREMBAN

Sited to the south of the Klang Valley and close to the Kuala Lumpur International Airport, the prime industrial areas showed some positive signs. A mixture of local and foreign players such as Coca-Cola, FGV, Kellogg's, Mission Foods and Crown Records Management were noticeable within Enstek Techpark. Ajinomoto also joined the crowd with the new plant investment. Hot spots also include Sendayan Techvalley and Nilai.

AREA Logistics @ Ampang
Source: AREA Management Sdn Bhd

The encouraging manufacturing investment trend is expected to extend to 2020 and sustain the industrial property sector. Acquisition, disposal and leasing activities will be prompted by the continuous new investment and re-investment, ongoing corporate restructuring, fluctuating global demand and supply, and technology advancement such as Industry 4.0. Prices and rentals are anticipated to be stable.

ENCOURAGING MANUFACTURING INVESTMENT

Penang State recorded an encouraging total approved manufacturing investments according to the latest statistics for 1H 2019 released by the Malaysian Investment Development Authority (MIDA), poised for a strong growth in 2019 compared to 2018. For 1H 2019, Penang State recorded the highest foreign investment among the states in the country: RM8.71 billion, representing 35% of Malaysia's total FDI. Penang is also the highest state in terms of total domestic and foreign investment, at RM9.21 billion, surpassing the state's RM5.78 billion achieved in year 2018.

New manufacturing investment and reinvestment sustaining the growth of the Penang industrial property sector, is expected to continue.

Announcements of significant new manufacturing investments into Penang in 2019 include:

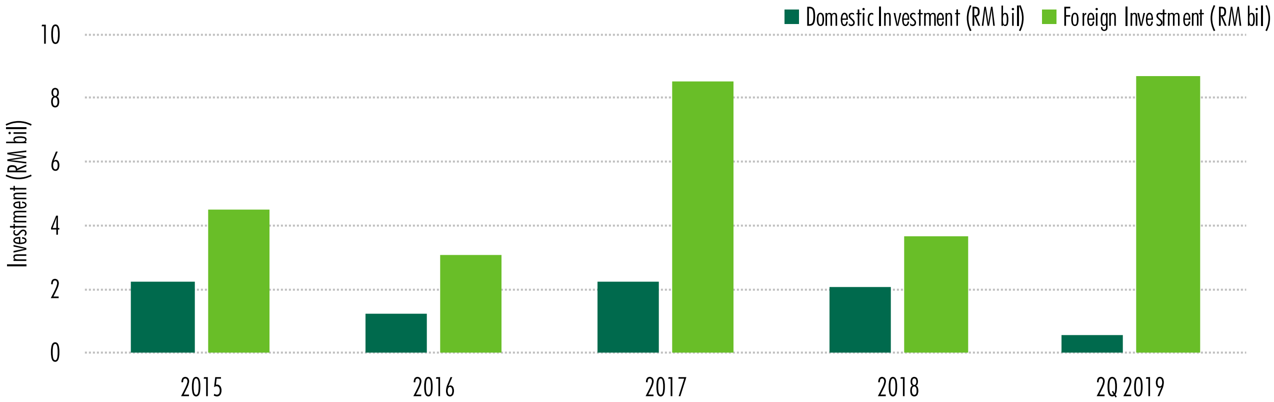
- Smith + Nephew - a facility of 250,000 square feet at Batu Kawan Industrial Park. The company specialises in surgical implants and advance wound care products.
- National Instruments: RM170 million to expand its facility at Batu Maung.
- National Instruments is investing RM170 million to
- FEDEX Express (FedEx):, RM17.6 milllion Penang Gateway facility at the New Cargo Complex at Penang International Airport. Measuring about 52,000 square feet, the warehouse is the largest integrated logistics facility of its kind in Penang and serves as a major hub in the northern states and is a key gateway for FedEx Asian and Trans-Asian flights. It is also the first facility in Malaysia to feature 100% X-ray scanning for all outbound packages.

Major industrial complexes opened for operations in 2019 include:

- Taiwanese-owned electronic manufacturing services (EMS) company, Hotayi Electronic (M) Sdn Bhd has opened a new plant of 350,000 square feet in Batu Kawan Industrial Park with investment of RM1 billion.

- With a RM600 million investment, AVX Manufacturing (M) Sdn Bhd launched a new manufacturing facility of 250,000 square feet in Bayan Lepas Free Industrial Zone Phase 3. In addition to the existing 200,000-square foot facility, the total 450,000 square feet facility will be AVX's largest multi-layer ceramic capacitor manufacturing facility in the world.

APPROVED MANUFACTURING INVESTMENTS IN PENANG (2015 – JAN TO JUNE 2019)



Abbreviation: RM = Ringgit Malaysia bil. = billion
Source: Malaysian Investment Development Authority (MIDA), CBRE | WTW Research

- VAT Manufacturing Malaysia Sdn Bhd has opened a new manufacturing facility in Batu Kawan Industrial Park costing RM165 million investment. The facility has been expanded from 60,000 square feet to 240,000 square feet.

- Boss Aerosystem Sdn Bhd launched its new facility of 58,000 square feet in Bukit Minyak Industrial Park.

American companies based in Penang were also not seen returning to the United States. On the contrary, there was more foreign direct investment from the United States in 2019 compared to 2018.

With the strong existing presence of high value industries and trained workers in Penang, the encouraging manufacturing investment is expected to extend to 2020 and sustain the industrial property sector.

ACTIVE MARKET

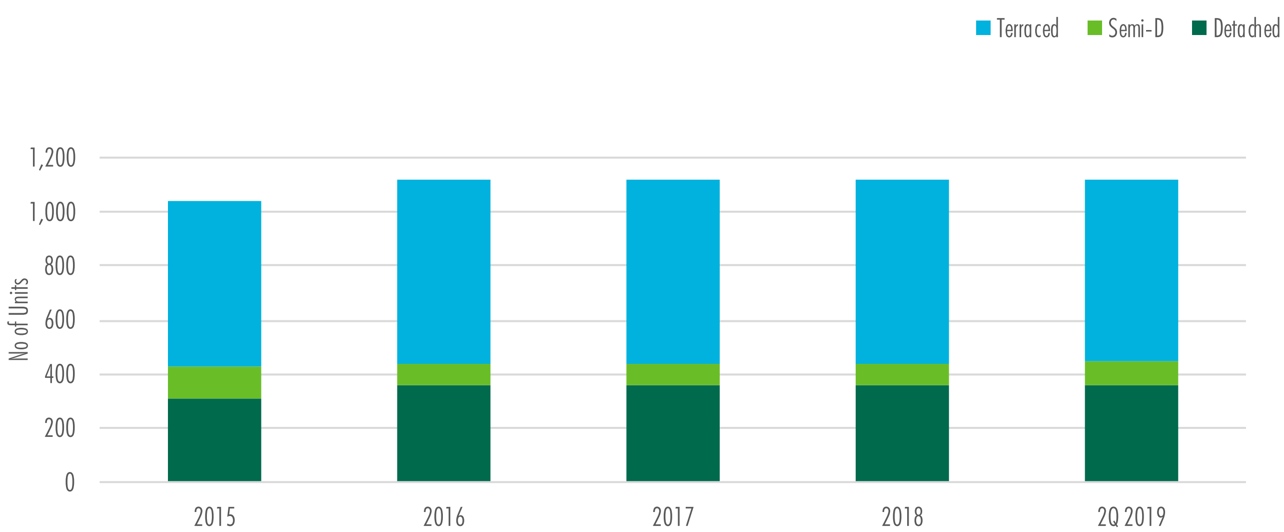
The Penang industrial property sector was relatively active with acquisitions, disposals and leasing activities, which included:

Axis Real Estate Investment Trust (REIT) entered into a lease agreement with the Penang Development Corp (PDC) in July 2019 to lease 2.4975 acres of industrial land at Batu Kawan Industrial Park for the development of a 44,000 square feet single-storey warehouse with office space. The lease is for 30 years at a total consideration of RM3,916,479.60, analysed at RM36 per square foot.

The warehouse with development cost estimated at RM11.85 million, would be subleased to Federal Express Services (M) Sdn Bhd (FedEx) for an initial fixed lease period of 10 years with an option to renew for further 5 years. The monthly rental for the first 7 years would be RM132,000 calculated at RM3.00 per square foot per month. For years 8 to 10, the monthly rental would be RM145,200 calculated at RM3.30 per square foot per month. Axis REIT estimated the initial net yield to be 9%.

Axis REIT has also entered into a sale and purchase agreement with Zoomic Technology (M) Sdn Bhd in July 2019 to acquire an industrial complex in Free Industrial Zone Phase 4 ,Bayan Lepas Industrial Park, for RM20.5 million.

TOTAL SUPPLY OF INDUSTRIAL UNITS IN PENANG ISLAND



Source: NAPIC, CBRE | WTW Research

With a floor area of approximately 78,024 square feet, the industrial complex is on a 2.067-acre site has an unexpired leasehold tenure of approximately 32 years. It is tenanted by Pentax Medical (Penang) Sdn Bhd since 1st February 2018 at a monthly rental of RM137,322.24, which is analysed at RM1.76 per square foot per month on the floor area.

MGudang Sdn Bhd, a subsidiary of MMAG Holdings Bhd entered into a conditional sale and purchase agreement with Dynaciate SPI Sdn Bhd, a subsidiary of Dynaciate Group Bhd, (formerly Tatt Giap Group Bhd) in October 2019 to acquire an industrial complex in Kawasan Perusahaan Valdor for RM41 million. With a gross floor area of 335,371 square feet, the industrial complex is on a 12.6 acres site with freehold tenure. The buildings will be refurbished to be a regional hub-cum-warehouse for the logistics and courier service.

The industrial property sector is foreseen to continue to be active due to the continuous new investment and re-investment, ongoing corporate restructuring, fluctuating global demand and supply, and technology advances which affect operations i.e. Industry 4.0. There will also be opportunities of sale and leaseback arrangements due to ongoing corporate restructuring.

STABLE PRICES AND RENTALS

In recent years, the prices and rentals of industrial properties rose in tandem with the rising development cost. As such, prices and rentals are anticipated to be stable in near future.

ALOR SETAR

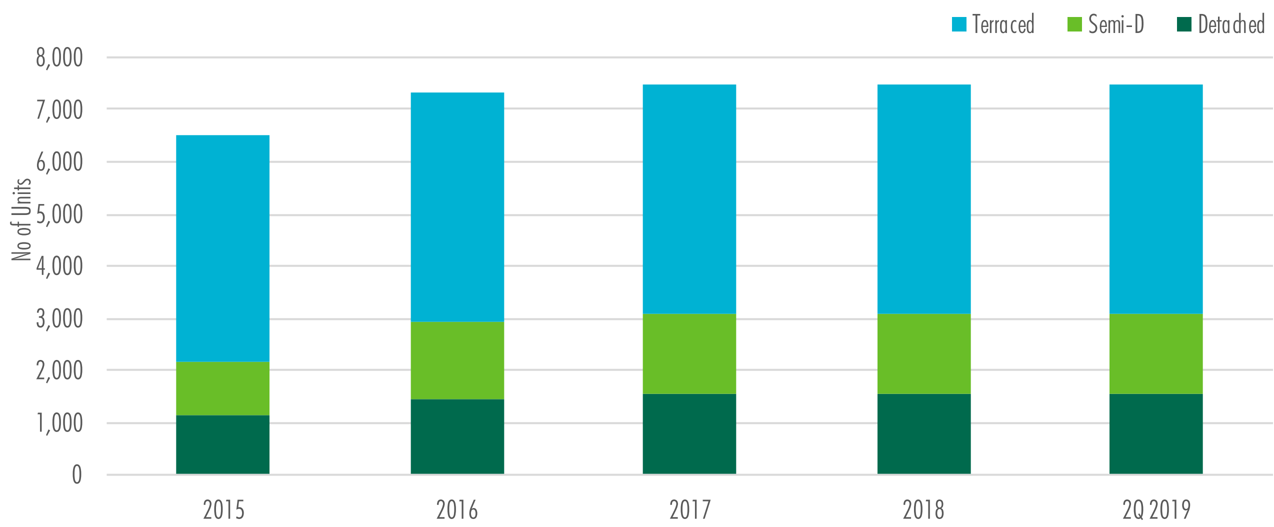
Cautious business sentiment continues with pressured rentals. Despite the absence of new projects, there are signs of development plans on the Kulim International Airport (KXP), manufacturing industries and logistics hub in Sidam, Digital Library in Alor Setar and petrochemical industrial park in Gurun by the Ministry of Economic Affairs. Improvement on infrastructure could be an added value to attract foreign investments.

IPOH

Industrial activities were sustained within established industrial schemes such as Jelapang, Meru, IGB and Tasek surrounding the North-South Expressway. The market condition is fairly healthy as existing supply is able to fit the needs of market demand.

Ipoh's industrial market may have potential for foreign investment and industrial opportunities in long term should government promotion plans materialise.

TOTAL SUPPLY OF INDUSTRIAL UNITS IN SEBERANG PERAI



Source: NAPIC, CBRE | WTW Research

ISKANDAR MALAYSIA

The industrial market in the region remains optimistic supported by the continuously inflow of approved investments and active transaction activities.

APPROVED INVESTMENT REMAIN UPBEAT

In first half of 2019, Johor fell behind Penang, Kedah and Selangor, with total approved investment of about RM4 billion. Foreign direct investment was recorded at RM1.7 billion only. The remaining RM2.3 billion was contributed by domestic investments, which ranked Johor the first among all states.

MORE CLUSTER AND SEMI-DETACHED FACTORIES

The total supply is estimated at 12,600 units as of 2019. Iskandar Malaysia (IM) saw the completions of Eco Business Park 2 (Phase 1), Taman Perindustrian Cemerlang (Phase 1 & 2) and De Hoff Park which totaled 248 cluster and semi-detached factories.

3 industrial parks launched new phases, viz. Eco Business Park (Phase 2), 5F Factory and Taman Perindustrian Cemerlang (Phase 4), mainly offering cluster and semi-detached factories which are the preferred choice for small-and-medium enterprise (SME) groups in the region.

TRANSACTION ACTIVITY STAYS ACTIVE

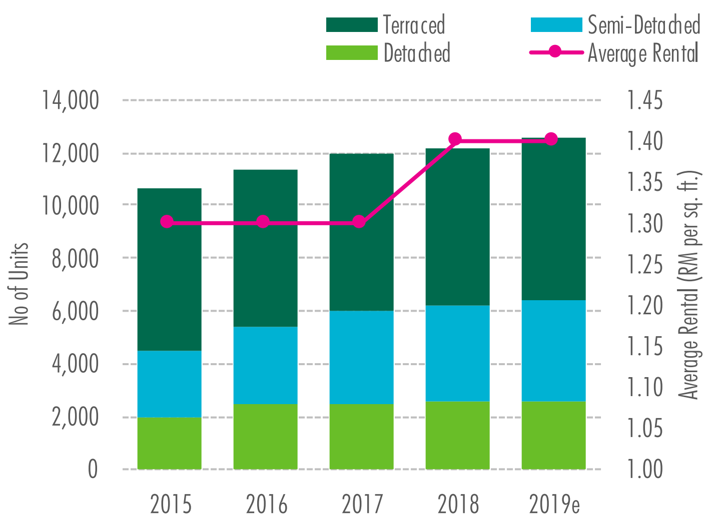
In 2019, transaction activity of industrial units remained active. Transaction volume increased 33% to 412 units in 1Q-3Q 2019 from 310 units in the corresponding period of 2018. The transaction value recorded at RM1,007 million in 1Q-3Q 2019, viz. rose by 28% as compared to RM784 million in 1Q-3Q 2018.

Semi-detached factories were actively transacted as both transaction volume and value showed a growth of 33% and 42% respectively, at 185 units and RM412 million in the first nine months of 2019.

AVERAGE RENTAL REMAINS STABLE

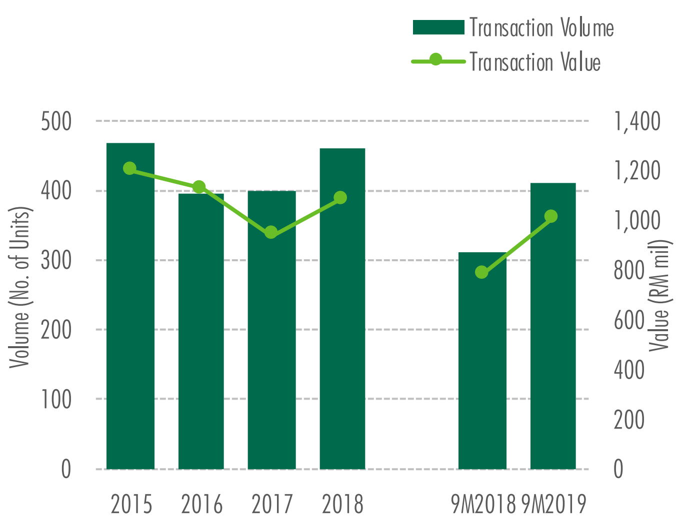
Overall, the rental for industrial properties in the region remains stable, generally in the range of RM1.00 to RM1.80 per square foot for new industrial parks while the rentals for factories located in old industrial areas range from RM0.80 to RM1.40 per square foot.

INDUSTRIAL PROPERTY SUPPLY IN ISKANDAR MALAYSIA



Abbreviation: RM = Ringgit Malaysia, per sq. ft. = per square foot
Note: Data for the full year of 2019 is based on estimation
Source: NAPIC, CBRE | WTW Research

PERFORMANCE OF INDUSTRIAL SECTOR IN ISKANDAR MALAYSIA



Abbreviation: RM = Ringgit Malaysia, mil = million
Note: Data for the full year of 2019 is based on estimation
Source: NAPIC, CBRE | WTW Research

The current trend of new industrial schemes in Iskandar Malaysia have evolved into managed developments featuring high speed broadband, gated and guarded security system, green designs and others. They are mostly located near to ports and airport like Senai, Pasir Gudang and Iskandar Puteri. Older schemes are mainly located approximately 20-30 kilometres from ports and airport like Tampoi, Tebrau, Plentong and Masai localities.

BITTERSWEET INDUSTRIAL MARKET

Government linked company Bio-XCell Sdn Bhd entered into receivership and left 80 acres of land forming the Bio-XCell park in SiLC up for sale by creditors. The establishment of the company in 2009 was targeted to develop a biotechnology park. However, the company accumulated losses of more than RM200 million over the past 10 years and was unable to meet its financial obligations.

India's biopharmaceutical company Biocon has offered to buy the central utilities facility and an 8-acre parcel within Bio-XCell park for RM25 million. Solution Group Berhad entered into sale and purchase agreement with Bio-XCell for a 7-acre parcel erected with a partially completed Verdepalm Plant together with the machinery and equipment for a total of RM25 million.

Axis REIT completed the acquisition of 4 industrial properties located at Nusajaya Tech Park in Iskandar Puteri. These 4 factories have a total lettable area of 147,000 square feet, and were transacted at RM55.8 million.

Axis REIT also proposed to acquire a single storey warehouse annexed with a 3-storey office building with net lettable area of 223,000 square feet in the Port of Tanjung Pelepas for RM65 million. Acquisitions of industrial premises by REITs such as Axis REIT indicated optimistic outlook of the industrial market of Iskandar Malaysia.

Industrial space solutions provider AME Elite Consortium Berhad which is based in Iskandar Malaysia, was successfully listed on the Main Market of Bursa Malaysia Securities. The company is principally involved in the construction of large manufacturing plants and industrial properties, development of industrial parks, sale and lease of factories, rental and management of workers' dormitories as well as provision of engineering works and services.

To date, the company has completed around 200 industrial projects for multinational and local industrial players from various sectors.

Marine service provider KA Petra Sdn Bhd was planning to cooperate with Hong Kong based port operator Hutchison Port Holdings Ltd to develop the world's largest Ship-to-Ship (STS) transfer hub which will be located off Port of Tanjung Pelepas (PTP). Upon completion, the vessel capacity will be increased from 9 to 30 vessels to handle nine million tonnes of petroleum products and liquefied natural gas.

PTP is planning to double up the existing Free Trade Zone of 350 acres in which almost 95% of the existing land is occupied. The planned expansion would help the existing companies to expand their operations as well as attract new comers. In addition, PTP is also planning to expand its berthing terminals to accommodate the forecasted increase in traffic.

BATU PAHAT

Domestic players continue as core demand venturing into the furniture and textile industries. The driving factor also comes from the availability of workers from a growing population of about 400,000 in the district. Average rent per square foot was maintained below RM1.

MELAKA

Ayer Keroh remained to serve for F&B activities while Krubong was mainly for warehousing activities. Pharmaceutical and steel industries are noticeable in Cheng, E&E in Batu Berendam FTZ, wood base in Bukit Rambai and automotive in Pegoh. On the other hand, Tanjung Minyak serves as Smart Industrial Centre. Average rents in Melaka will be slightly higher with lower yields as compared to Batu Pahat.

EAST COAST

The best performing sector in the East Coast.

KUANTAN

Demand for industrial land less than 3 acres was active in preferred industrial estates such as Semambu Industrial Estate, Batu 3 and Indera Mahkota.

The Gebeng Industrial Area also offers land for local and foreign demand to set up new plants or warehouses, backed by competitive land price, availability of skilled labour and amenities offered by the State Government.

Notable transaction activities were the acquisition of Kinsteel Berhad & Harvard Vision Sdn Bhd by Top Gloss and Api Trengganu Sdn Bhd respectively consisting lands, plants machinery and buildings.

Panasonic (M) Sdn Bhd was sold to SP Leveration Sdn Bhd which represented a new chapter in the marketing direction of the electrical product firm.

KOTA BHARU

Manufacturing activities contribute less than 10% of GDP. Industrial developments remained docile without significant movement. Industrial activities mainly cater for the domestic market.

KUALA TERENGGANU

With a stable rent and yield, Kuala Terengganu offers the potential for investment opportunities. Chinese integrated construction company Pacific Construction Group Ltd (CPCG) has planned for long term investment, initiating a RM3 billion investment including industrial park, free zone and affordable housing.

OUTLOOK

Kuantan showed the potential of upward market direction with active transactions and demand from foreign investments whilst Kota Bharu and Kuala Terengganu share similar trends in rents and yields. Reviving of the East Coast Rail Link (ECRL) may open up more opportunities in the long term.

KOTA KINABALU: Noticeable activity in the secondary market but quiet in terms of new launchings.

MORE ACTIVE SUB-SALES

Total volume and value of sub-sale transactions encompassing vacant industrial plots, terraced, semi-detached and detached factories/warehouses within Kota Kinabalu-Penampang-Putatan for the period of January-September 2019 increased by some 39% and 89%, y-o-y, respectively.

Terraced light industrial buildings make up about 47% of the transaction volume whilst semi-detached and detached factories/warehouses accounted for some 35% combined. About 47% of the total value transacted was from detached factories.

INDUSTRIAL TRANSACTIONS – KOTA KINABALU, PENAMPANG & PUTATAN

COMPARISON PERIOD	TOTAL VOLUME	TOTAL VALUE
Jan – Sep 2018	84	RM111.11 mil
Jan – Sep 2019	117	RM209.62 mil
% Change y-o-y	39.3%	88.7%

Source: NAPIC.

Analysed value per transaction for terraced and semi-detached factories for January-September 2019 is about RM706,000 and RM1,645,000, which is an increase of 2% and 9% respectively, y-o-y.

There were no new launches of light industrial developments in 2019. Ongoing light industrial projects are mainly located in the northern sector of Kota Kinabalu, along Jalan Tuaran Bypass and Jalan Tuaran and southern township of Putatan.

LAHAD DATU

Supply of warehousing land can be easily met in the Palm Oil Industrial Cluster (POIC) Lahad Datu. The commissioning of POIC Container Terminal will provide an impetus to the lackluster economy in Lahad Datu and reduce logistic costs. The port terminal is expected to have capacity of 250,000 TEUs (twenty-foot equivalent unit) annually, catering for dry and liquid bulk cargo for East Coast of Sabah.

TAWAU

Most of the demand in Tawau comes from light engineering works, storage and SME soft manufacturing industries focusing on domestic consumption.

OVERALL

Kota Kinabalu is the main distribution hub for Sabah and industrial lands and buildings with good accessibility and close to centres of activities will continue to be in demand. Demand for industrial properties mainly comes from SMEs with requirements for factories, workshops, showrooms and warehouses.

Palm Oil Industrial Cluster (POIC) Container Terminal, Lahad Datu
Source: WTWS Research

KUCHING: The industrial sector was generally stable for 2019, with few completions.

PASSIVE BUT STABLE

The industrial sector in Kuching, although rather passive, remains stable. Only one private industrial project was completed in 2019, namely, Vista Industrial Park (V.I.P.) by Hock Seng Lee Berhad comprising 56 two-storey semi-detached units and only one industrial project was launched in 2019, offering 26 units at Jalan Batu Kawa, developed by M/s Lee Onn and expected to be completed next year.

There continues to be interest in the secondary market especially for units in established industrial areas. There is also increasing demand for showroom types as indicated by the increasing conversion of detached lots along main roads for such purpose.

Semi-detached units and warehouses remain popular with market prices ranging from RM600,000 to over RM1 million. Occupancies and take up rates were stable and remain unchanged for 2019, whilst rentals range from RM1.20 to RM1.50 per square foot for semi-detached units.

In the long run, there is good potential for light industrial units in Kuching in areas with good road networks and frontages with the increasing presence of SMEs who will demand space for workshops, showrooms and storage/warehousing.

MIRI AND BINTULU

The improving oil and gas industry in Miri continues to drive the market, sustained by large corporations. Heavy industries have shifted their interest to Bintulu which may become an Industrial City by 2025. As an industrial town, demand for industrial properties will be better with access to the deep-sea port in Bintulu and Samalaju. Notable major players such as Sakura Ferroalloy and OCIM continued to expand their manufacturing capacity in Samalaju Industrial Park.

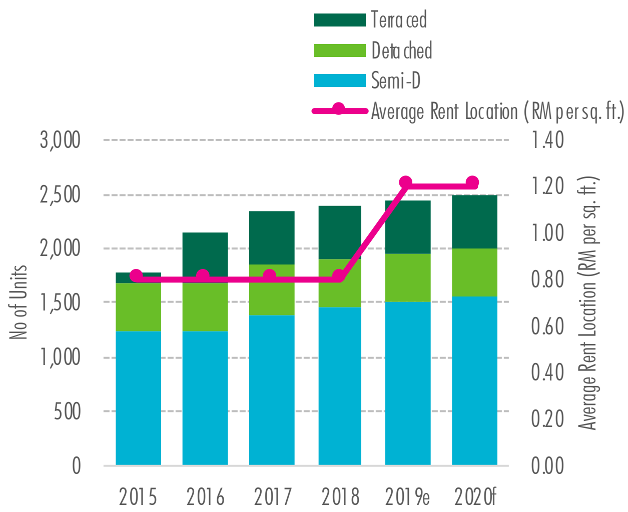
SIBU

In Sibu, light industrial services, ship-building and ship repair drives most of the the demand for industrial properties. Asking prices for industrial properties in outskirts areas such as Sibu Jaya has increased. Land acquisition for Rantau Panjang area was also confirmed for the proposed Phase II for shipbuilding and related activities, reflecting the need and demand.

OUTLOOK

The industrial sector is mixed across the major towns in Sarawak with Kuching mostly expanding with SMES, Sibu on shipbuilding whilst heavy industries are expanding in the Northern towns of Miri and Bintulu which has been earmarked as Sarawak's Industrial City. The future for the industrial sector remains optimistic with good growth potential.

SUPPLY OF INDUSTRIAL UNITS IN KUCHING



Abbreviation: RM = Ringgit Malaysia, per sq. ft. = per square foot
Note: Data for the full year of 2019 is based on estimation
Source: NAPIC, WTWY Research

V.I.P Industrial Park @ Muara Tabuan
Source: WTWY Research

HOTEL

KLANG VALLEY

Visit Malaysia 2020 will increase tourist arrivals, partly fueled by global issues steering tourists away from the other traditional destinations.

GROWTH IN TOURISM

Tourist arrivals recorded positive growth of 4.9% y-o-y (YTD January to June) to 13.4 million, mainly contributed by traditional markets such as Singapore (3.6%), Thailand (4.2%), Indonesia (15.0%) and Vietnam (12.1%).

There were also double digit gains from leisure-oriented markets such as South Korea (14.6%) and India (13.5%), and also from the Middle East during the Ramadan period. However, markets such as Brunei (-12.0%), Taiwan (-2.8%) and several European countries recorded a negative.

Malaysia also recorded positive growth in tourist expenditure: China (22.5%) and Indonesia (17.5%). However, Singapore tourist expenditure dropped by -13.9%. In terms of expenditure per capita, Saudi Arabia topped the chart for YTD January to June 2019 , followed by United Kingdom, Canada, China and United States of America. Travelers are spending much more on shopping (increase 6.2% to RM14.72 billion) but spending on accommodation at RM9.71 billion dropped -2.7% y-o-y.

Average room occupancy for 3Q 2019 was 81% for KL, an increase from the previous year (76%), while outside KL, AOR dropped to 64% (3Q2018:69%). KV recorded AOR 76% in 3Q 2019.

Upscale hotels recorded the highest AOR at 84%, followed by Midscale (82%) and Luxury at 75%. Higher AOR during the review period was due to the Raya festival with a lot of MICE activities during the period. The overall average room rate (ARR) was stable at RM260, a marginal increase.

LOWER INVESTMENT IN LUXURY SERVICES

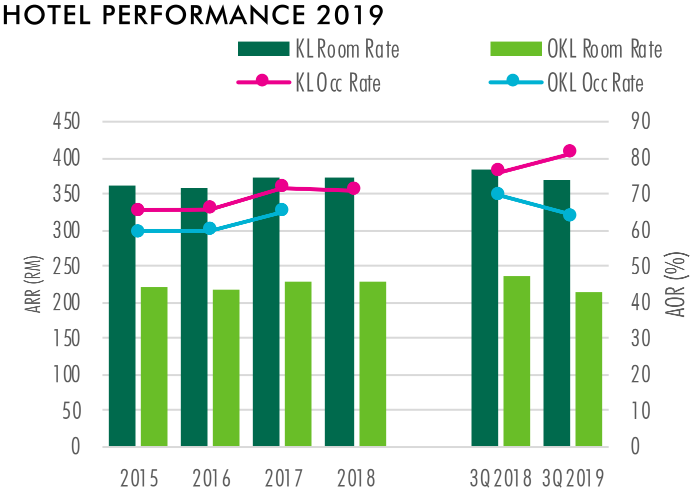
After the active year for the Luxury segment in 2018, the market slowed down with developers and investors shifting interest to the midscale and upscale segments. The trend of lower investment cost with a bit of luxury, rebranding and improved range of services have made midscale hotels better hotel investments in the slow market driven by stronger demand by business and shopping travelers.

However, the entry of new luxury hotel brands such as Park Hyatt, Kempinski and Fairmount is still ahead which will reinforce KL's position in the international tourism market to attract high-yield tourists.

TOURIST ARRIVALS AND RECEIPTS

Abbreviation: YTD = Year-to-date, mil. = million, bil = billion
Source: CBRE | WTW Research, 4Q 2019.

HOTEL PERFORMANCE 2019



Abbreviation: KL = Kuala Lumpur, OKL= Outside Kuala Lumpur, Occ = Occupancy, ARR = Average Room Rate, AOR = Average Occupancy Rate
Source: CBRE | WTW, 4Q 2019.

KLANG VALLEY

MIDSCALE IN THE SPOTLIGHT

As of 2019, the cumulative supply stood at 59,674 rooms (209 hotels, 70% in KL, 30% outside KL). An estimated 1,918 rooms comprising midscale and upscale types are expected to be completed during 2H 2019. CitizenM Hotel and EQ Hotel were the 2 new hotel openings this year, adding a combined total of 638 rooms.

By 2023, 35 more hotels with 13,827 rooms are expected to enter the market. The majority of upcoming supply will be upscale hotels.

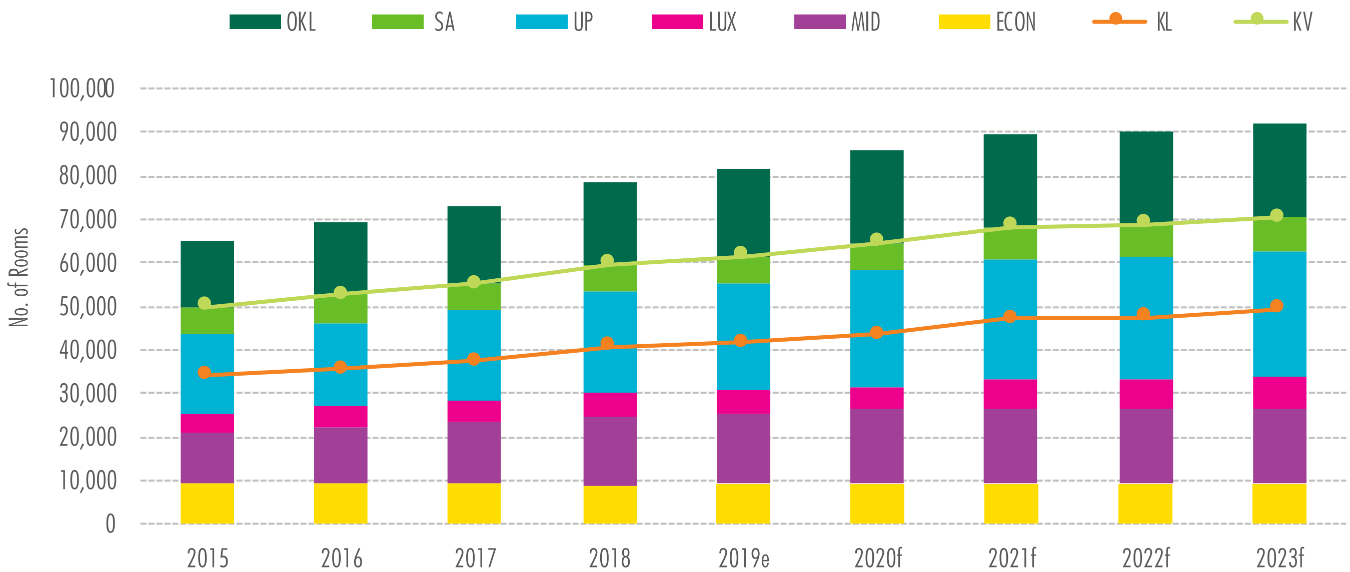
In 2019 Royale Chulan Bukit Bintang with 400 rooms was sold for RM197 million or about RM492,500 per room to a Singapore hotel group. Tune Hotels in Chow Kit was sold for RM31 million or about RM144,000 per room. The hotels will be rebranded into two boutique hotels namely, The Ormond and Momo's.

Impiana Hotels and Resorts comprising of Impiana Pangkor, Astaka Mekar (Impiana KLCC), Intra Magnum, Impiana Cherating and Impiana Ipoh were sold for RM425.9 million to Bio Osmo Berhad.

Malaysia was the most visited OIC destination for the 8th consecutive year and KL was among the top 6 global destination cities with 13.79 million visitors (average stay is 5.5 nights).

The multi-cultural, natural landscape, halal market, variety of cuisine are advantages that attract tourists to Malaysia. Increased airline services, growth of domestic tourism and continuous support by the Government are also key factors for tourism success. Upgrading tourism facilities i.e. MICE, flight connectivity, transportation and promotions need to be continuous to sustain the tourism demand growth.

KLANG VALLEY HOTEL SUPPLY



Abbreviation: ECON = Economy, MID = Midscale, LUX = Luxury, UP = Upscale, SA = Serviced Apartment, KL = Kuala Lumpur, KV = Klang Valley
Source: CBRE | WTW Research.

SEREMBAN: PORT DICKSON REACTIVATED

Newly completed Lexis Hibiscus and D'Wharf Hotel and under construction Splash Park have rejuvenated Port Dickson as a popular vacation destination in Negeri Sembilan and underline the growth prospects of the tourism industry and hotel market in Negeri Sembilan.

The overall occupancy rate remained stable in 2019 and will remain unchanged in 2020. However, the recent announcement of Hard Rock Hotel opening in Port Dickson could be a major boost to the hotel market in the area.

VISIT MALAYSIA 2020

Overall, the demand for hotel rooms is expected to increase supported by the continuous promotion activities, expansion of MICE and medical tourism and Visit Malaysia 2020 (VMY2020). Overall tourist arrivals may touch 28.1 million with total spending of RM92.2 billion for year 2019.

The entry of more international brand hotels and incoming iconic projects will amplify the charm of KL as a tourist destination to host business and other major events during VMY2020.

SELECTED FUTURE SUPPLY BY 2020f – 2023f

DEVELOPMENT	LOCALITY	ESTIMATED NO. OF ROOMS
2020		
DoubleTree by Hilton @ I-City	Shah Alam	300
Conrad Kuala Lumpur	Jalan Sultan Ismail	544
Fairfield Inn by Marriot	Jalan Pahang	188
2021		
Kempinski @ 8 Conlay	Bukit Bintang	260
Park Hyatt @ PNB 118	PNB 118	232
Canopy by Hilton @ BBCC	BBCC	478
Fairmont Hotel	KLCC	750
2022		
Mercure Kuala Lumpur	KL Trion	240
2023		
Jumeirah @ Oxley Tower	Jalan Ampang	190
So Sofitel @ Oxley Tower	Jalan Ampang	207

Abbreviation: BBCC = Bukit Bintang City Centre, KLCC = Kuala Lumpur City Centre
Source: Global Destinations Cities Index 2018, Mastercard-CrescentRating Global Muslim Travel Index (GMTI) 2019, CBRE | WTW.

EQ Hotel
Source: CBRE | WTW Research.

PENANG

The hotel property sector is anticipated to be sustained by the prevailing vibrant tourism industry. However, new entrants and the considerable upcoming hotel rooms will exert keen competition among hoteliers. Purpose-built hotels also continue to face competition from shophouse boutique hotels and alternative accommodation such as serviced residences/apartments and SOHO. Occupancy and room rates would be under pressure and are projected to remain moderate.

SUSTAINED BY VIBRANT TOURISM INDUSTRY

The Penang tourism industry in 2019 has continued receiving international recognition, which augurs well for the tourism industry. Penang has been listed as one of the top 10 great value beach destinations in the world. Online portal International Living listed Penang as 8th, among 21 other beach destinations, to visit or live in which is "pocket-friendly" by global standards. Penang has also been listed as one of 16 best destinations to visit for the ultimate Asia experience by CNN Travel.

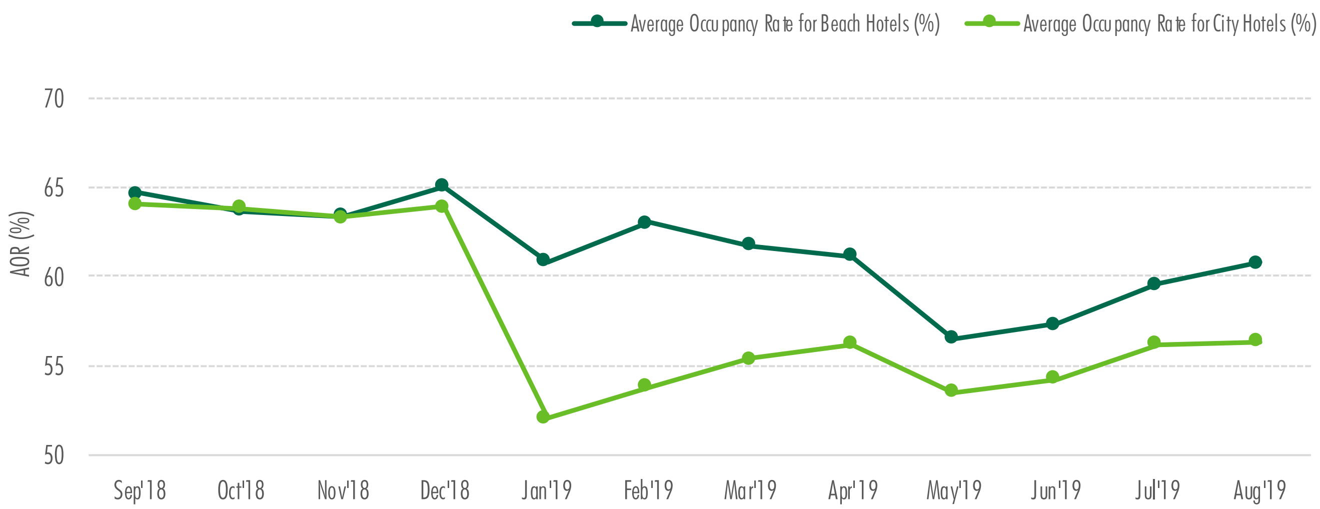
Tourist arrivals to Penang is expected to steadily grow due to increased connectivity through direct flights and enhanced cruise routes. In 2019, Penang International Airport welcomed a new carrier – Qingdao Airlines. Qingdao Airlines is the 16th international carrier to operate in Penang with flights from Penang to Quanzhou and Changsha.

Moreover, the weakened Malaysian currency has to a certain extent deterred Malaysians from travelling abroad thus fueling domestic tourism. The growing medical tourism has also been a contributor to the vibrant tourism industry. The tourist arrivals will further increase by the upcoming expansion and upgrading of Penang airport and the Swettenham Pier Cruise Terminal. Hence, the vibrant tourism industry is anticipated to continue supporting the Penang hotel property sector.

ADDITIONAL HOTEL ROOMS ENTERED THE MARKET

An additional 737 hotel rooms from 4 hotels entered the market in 2019. Two of the hotels are in Tanjung Tokong, Penang Island: The Jazz Hotel (255 rooms) by Penang based Vouk Hotel Management (VHM) Group and the 4-star Hompton By The Beach (240 rooms) and 2 other newly-opened hotels in the inner city of Georgetown: The Prestige Hotel (162 rooms) and Victoria Garden Hotel (80 rooms).

HOTELS AOR (SEPTEMBER 2018 to AUGUST 2019)



Abbreviation: AOR = Average Occupancy Rate
Source: Malaysian Association of Hotels (Penang Chapter), Penang Institute, , CBRE | WTW Research.

HOTEL

PENANG

In terms of new developments, a new high-end niche hotel is designated for development at the vicinity of Miami Beach, Batu Ferringhi. The State Government has issued a Request for Proposal (RFP) to develop a 4.2-acres site which is currently identified as a Coastal Resort and Spa, which is open to local and international bidders, to transform into a world class spa resort.

With new entrants, competition would intensify among hotels. More efforts are required in order to stay competitive in the market.

PRESSURE ON OCCUPANCY/ROOM RATES

The keen competition from new entrants and the considerable upcoming hotel rooms, are expected to put pressure on hotel occupancy and room rates. Purpose-built hotels have also been facing competition from shophouse boutique hotels which operate mostly in refurbished pre-war shophouses within the inner city of Georgetown. Online Services Providers such as Airbnb, which offer accommodation in serviced residences / apartments, and SOHO, provide alternative accommodation which compete with purpose-built hotels. As such, the performance of hotels in Penang is projected to remain moderate.

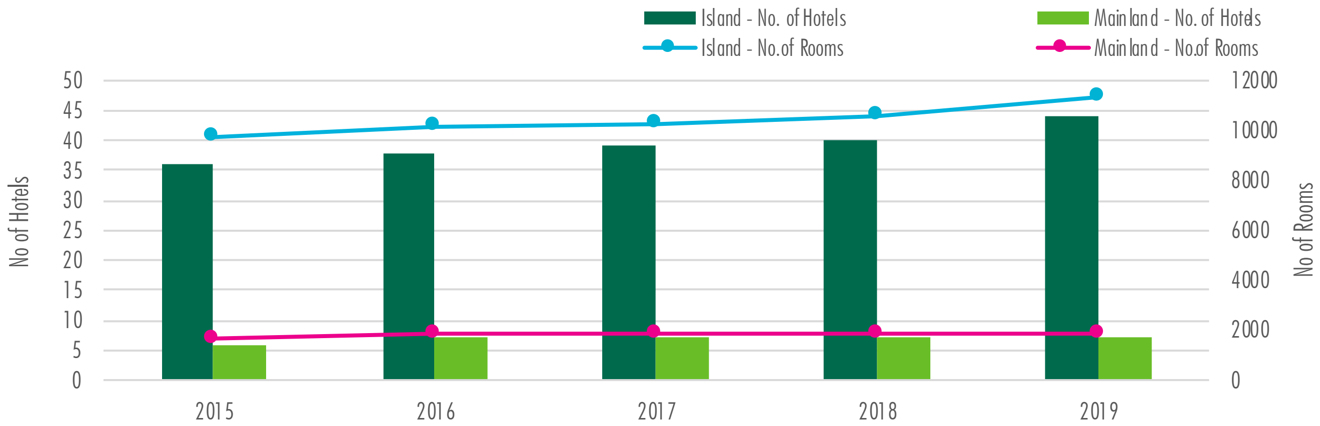
In comparison, average occupancy rates for beach hotels in Penang were generally higher, ranging between 56% and 65% compared to 52% and 64% achieved by city hotels. Average room rates for beach hotels generally range between RM361 and RM522 per day while city hotels averaged room rates between RM213 and RM234 per day.

UPCOMING MAJOR HOTEL DEVELOPMENTS IN PENANG

DEVELOPMENT	NO. OF ROOMS	EXPECTED YEAR OF OPENING
PENANG ISLAND		
Amari @ Setia SPICE	453	2020
Courtyard by Marriott @ Tropicana 218 Macalister	208	2020
Angsana Teluk Bahang	103	2020
OZO Hotel along Jalan Agryll	132	2020
Proposed Hotel @ Sunshine Tower	320	2021
JW Marriott at Persiaran Gurney	313	2022
Island Medical City	440	2023
SEBERANG PERAI		
Holiday Inn & Suites	288	2020
Proposed 4 to 5 star hotel along Jalan Bagan Luar, Butterworth	364	2022
Aloft @ Aspen Vision Batu Kawan	308	2023

Source: NAPIC, CBRE | WTW Research.

HOTELS SUPPLY IN PENANG



Source: CBRE | WTW Research.

ALOR SETAR: STRONG ISLAND ATTRACTION

Langkawi remains the nucleus of Kedah's tourism both domestic and international. With the advantages of an international airport, Langkawi manage to attract 300,000 visitors per month whereby the end of the year is the peak season in Langkawi due to winter in the northern hemisphere. Due to popularity of the island, Langkawi's growth prospects remain sustainable.

Overall hotel occupancy rates remained stable although increased competition from Airbnb which provides cheaper and competitive rates is gaining market share.

In terms of supply, established hotel groups remain the main operators in Langkawi i.e Four Season Resort, Tanjung Rhu Resort, The Danna, The Westin, The St Regis and Vivanta-By Taj Pulau Rebak. The Dash Hotel and The Aloft are the newest hotels which started operations in November 2018.

As a tourism hotspot in Malaysia, the Langkawi hotel market is expected to remain stable in 2019 and near future. Average room rates were also increasing slightly in the past years giving certainty, stability and high and consistent yields.

IPOH: HERITAGE AND MICE

The introduction of tourist buses within the heritage site in Ipoh is one example of the rising pace of Ipoh's tourism sector. The new Ipoh Convention Centre (ICC) is anticipating increased MICE events in Ipoh which could boost hotel occupancy.

No new hotels opened in 2019 and therefore there may be investment opportunities. However, homestays and Airbnb are increasing pressure on the existing hotels in Ipoh. The hotel sector in Ipoh is expected to remain stable in 2020 and experience gradual growth in the long-term. The average room rate (ARR) and average occupancy rates for Ipoh is foreseen to be same in 2020.

OUTLOOK

Tourism activity is prominent and active in this region of Malaysia due to island attractions and heritage sites. Tourism performance has been consistent and positive. However, competition from Airbnb and homestays will increase challenges to existing and new hotels.

ISKANDAR MALAYSIA

The upcoming programs such as Visit Malaysia Year, Visit Johor Year and SUKMA Games in 2020 would augur well for the hospitality industry of Iskandar Malaysia.

JOHOR: ONE OF THE TOP STATES VISITED

Johor continued to be one of the top states visited for domestic tourists in 2018, viz. ranked as second. The number of domestic tourists was 7.78 million in 2018. According to Johor Tourism Committee chairman, Johor registered total tourist arrivals of 15.84 million in 2018 and was aiming to attract at least 16.6 million visitors by end of 2019. With the SUKMA Games to be hosted by Johor and Visit Johor Year, tourist arrivals in 2020 is predicted at 17.4 million.

As of 2019, the number of hotels in Iskandar Malaysia was 37 hotels with a total of 10,400 guest rooms. A new hotel opened in 2019, viz. Capri by Fraser Johor Bahru which offers 316 guest rooms.

In 2019, four (4) new hotels officially announced their entry into the region, viz. Hyatt Place Johor Bahru, Novotel Johor Bahru, Kencana Hillmark Hotel and One 15 Marina Puteri Harbour.

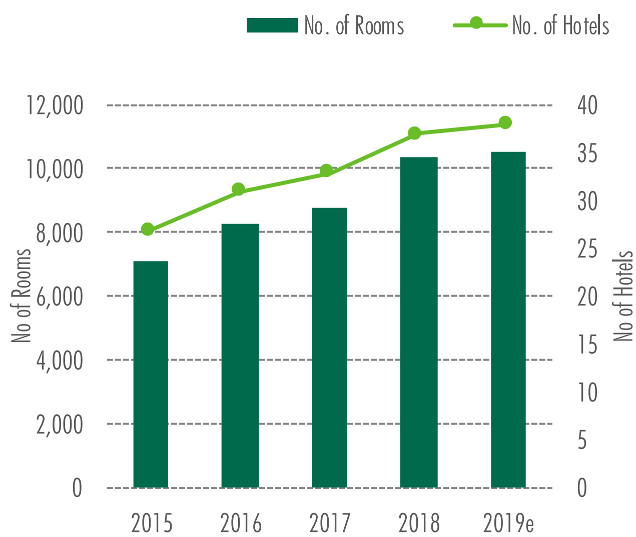
The hospitality sector in Iskandar Malaysia is expected to be more competitive with a total of 12 hotel projects with roughly 3,200 guest rooms currently in the pipeline. These 12 upcoming hotels will complete from 2020 to 2024.

MODERATE ROOM AND OCCUPANCY RATES

The average room rate for upscale hotels in Iskandar Malaysia has generally moderated at RM290 per room per day while the average occupancy rate remained stable at 75%. Both room and occupancy rates are projected to stay stable in the short term.

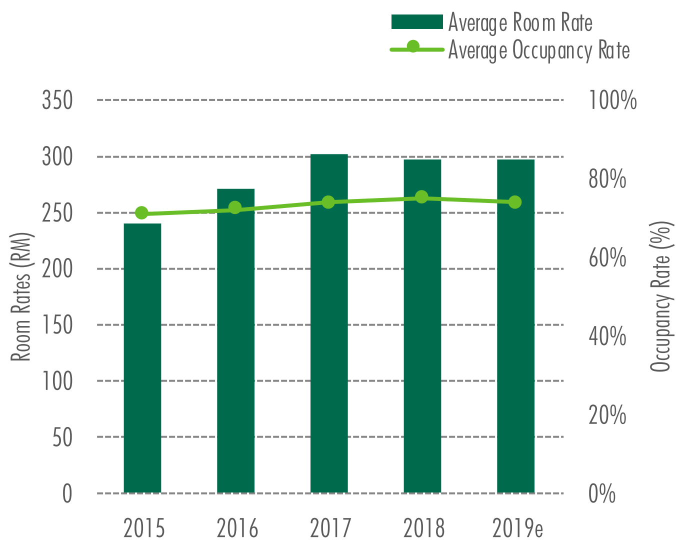
However, upon full completion of the upcoming hotels, it is expected to bring additional pressure to both room and occupancy rates. With the incursion of serviced apartments facilitated by online booking agents, hotels in the region have to provide competitive room rates in order to preserve their market share, and this will indirectly cap the growth of room rates.

HOTELS SUPPLY IN ISKANDAR MALAYSIA



Note: Data for the full year of 2019 is based on estimation
Source: CBRE | WTW Research

AOR & ARR OF UPSCALE HOTELS IN ISKANDAR MALAYSIA



Note: Data for the full year of 2019 is based on estimation
Source: Horwath HTL, STR, CBRE | WTW, 4Q 2019.

CATALYST TO BOOST TOURISM

Iskandar Malaysia will welcome Visit Malaysia 2020, Visit Johor Year and Sukan Malaysia (SUKMA) Games in 2020. With these programs and activities, hotels in the region are expected to reap the benefits.

In 2019, the Pinewood Group pulled out of Iskandar Malaysia, ending the 10 years partnership with its backers in Malaysia. In addition, due to lack of visitors, both Thomas Town and Sanrio's Hello Kitty theme parks in Puteri Harbour closed down in December 2019.

The hospitality market in Iskandar Malaysia was dampened with the closure of these parks but major infrastructure projects (such as RTS) and new commercial or leisure developments will support the healthy performance of the hospitality industry.

BATU PAHAT

Purpose-built hotels in Batu Pahat cater mainly to government servants and the local people. As the strong competition from homestays and budget hotels suppressed the market in recent years, the hotel sector is expected to remain stable with no significant developments.

TOURIST ARRIVALS & TOURIST RECEIPT (2015 – 2018) IN MELAKA

YEAR	AVG LENGTH OF STAY	TOURIST ARRIVALS (MILLIONS)	TOURIST RECEIPTS (RM'000)	RM SPENT /DAY
2015	2.18	15.74	16,759.75	488.53
2016	2.16	16.28	18,289.49	520.04
2017	2.25	16.79	19,651.04	445.90
2018	2.46	17.02	20,979.52	501.07

Abbreviation: AVG = average
Source: Melaka Tourism Board, CBRE | WTW Research

MELAKA: VISIT MELAKA 2019

Tourist arrivals are increasing with 2018 recording more than 17 million visitors and increasing year by year. 2019 has been set as Visit Melaka Year.

Tourist arrivals in Melaka should remain on the uptrend in 2019 and beyond. The opening of Encore Malacca and the Riviera at Pulau Melaka in July and August respectively should be new tourism pulling factors and subsequently, sustain the hotel market in Melaka.

Meanwhile, competition is building up in Melaka. Plenty of new hotels are entering the market amidst increasing introduction of serviced apartments while competition from Airbnb is increasing. Nonetheless, overall demand and supply shall remain balanced in view of the rising number of tourist arrivals in Melaka.

OUTLOOK

Tourism activity is prominent in this part of Malaysia, with the exception of Batu Pahat, and tourism performance in these cities have been consistent and positive. Competition is seen to be intensifying but overall, tourism should continue to be expanding.

Capri by Fraser
Source: CBRE | WTW Research.

EAST COAST

Increased visitor arrivals will be the Positive Drive for the hotel and tourism-related sectors.

KUANTAN: DOMESTIC TOURISTS' FAVOURITE

Tourist arrivals to Pahang improved by 15.6% y-o-y to 14,827,961 in 2017, of which Kuantan had its share of 16.4% (or 2,430,995 arrivals), comprising mainly domestic tourists. The key sources of international tourists has been and is expected to continue to be from Singapore, China and Indonesia.

Blessed by its dense forest and hills, tourism in the state of Pahang is oriented on nature and ecotourism. Among the tourism spots are Genting Highlands, Cameron Highlands, Raub, Bentong, Taman Negara and Kuantan (Cherating).

Kuantan as the capital city of Pahang currently has 118 hotels with a total of 7,135 rooms. A healthy jump of 22.7% in the average occupancy rate for hotels in Kuantan was observed.

KOTA BHARU: EMERGENCE OF SERVICED APARTMENTS

Hotels in Kota Bharu have been facing challenges from serviced apartments as well as the passive tourism sector. However, the overall occupancy rate of hotels remained stable over the years and have given consistent yield returns for hotel investments. Going forward, the Kelantan Structure Plan 2040 shall have significant impact on the tourism sector in Kota Bharu.

KUALA TERENGGANU: PROACTIVE INITIATIVES BOOSTED TOURISM

The main highlights for tourism in Terengganu for 2017 are the commencement of Tasik Kenyir Duty Free Zone, the hosting of Kenyir Bird and Nature Quest and Terengganu International Eco and Marine Tourism Conference (TEMCO).

The constant flow of local and international tourists into Terengganu will persist into the future with these developments.

Al-Waqf @ Tunjong, Kota Bharu
Source: CBRE | WTW Research.

SABAH

KOTA KINABALU: Growth in visitor arrivals to drive the tourism-related and hospitality sectors, with several major hotels announced in 2019. However, the rise of commercial suite developments marketed through Airbnb will contribute to a more competitive hotel sector.

OVERALL UPTREND IN VISITOR ARRIVALS

Visitor arrivals to Sabah continued on an uptrend in 2019. January - October 2019 recorded a y-o-y growth of 8.9% with 3.4 million visitors. Malaysian arrivals made up 64% of total arrivals whilst Northeast Asia formed the largest segment of international visitors (74% of international arrivals or 26% of total arrivals) given the Sabah is within relatively short flight times from major regional Asian cities.

Consistent with previous years, China formed the largest single country arrivals with 520,974 arrivals or 43% of international arrivals followed by South Korea at 26% with 320,450 arrivals. Visitor arrivals from China showed moderated growth of 3.1% compared to the double-digit growth in 2017-2018. South Korean arrivals was higher by 17.9%, compared to the corresponding period in 2017-2018.

Arrivals from long-haul markets like Europe totalling 59,506 in January-October 2019, (y-o-y increase of 6.3%) still make up an important niche segment in Sabah's tourism sector.
Sabah Budget 2020 highlighted that the Ministry of Tourism, Culture and Environment will further expand the tourism sector by focusing on India and Europe.

As at early December 2019, there were 212 direct international weekly scheduled flights to Sabah, of which 197 are to Kota Kinabalu and 15 to Tawau and Sandakan. Royal Brunei had commenced direct flights from Brunei Darussalem to Sandakan and Tawau in October and November 2019, respectively.

The hotel occupancy rate in Kota Kinabalu for nine months of 2019 encompassing all hotels was about 72.7%.

Site of the upcoming Club Med Borneo Kota Kinabalu Resort in Kuala Penyu, Sabah
Source: WTWS Research.

NEW HOTEL DEVELOPMENTS

Hotels Major new hotel developments in Kota Kinabalu and outskirts as announced in 2019 include the following:

- Club Med Borneo Kota Kinabalu in Kampung Tanjung Aru, District of Kuala Penyu. The 400-room, all-inclusive beach resort has a scheduled completion in late 2022. The resort will form part of the company's 5 Trident Exclusive Collection and will be the first Building Research Establishment Environmental Assessment Method (BREEAM)-certified and sustainably-built beach resort in the Asia-Pacific for Club Med. BREEAM is an internationally recognised method of assessing, rating and certifying the sustainability of buildings.

- The Hyatt Centric Kota Kinabalu, comprising 220 rooms on the site of Wisma Gek Poh office building in Kota Kinbalu CBD. The Kengo Kuma- designed hotel is Hap Seng Consolidated Berhad's first foray into the hospitality sector and will also be the first Hyatt Centric hotel in Malaysia. It is expected to open in 2021.

- Sheraton Kota Kinabalu Hotel. The 345-room, 5-star hotel will be sited in Kota Kinabalu CBD near Asia City and Centre Point Sabah.

- Grand Liberty Hotel. The 4-star, 300-room hotel is located in Sembulan area, in the vicinity of Sutera Avenue and Harbour City.

Sarawak-based KTS Group plans to develop a leisure and entertainment waterfront township to be known as KK Resort City in Lok Kawi area. The proposed development has several precincts comprising a town centre, hotel and convention precinct, beach island resort, marina theme resort, lagoon (central recreation hub), canal edge residential and resort living community.

Sabah's growing tourism sector has also attracted the development of commercial serviced suites to cater to short-term accommodation market. More developers are entering the fray with an increase in the number of such developments launched in the past 1-2 years. As at end-2019, there are about 10 developments with over 4,000 units under construction and / or opened for sale. The increase in serviced suites and home-sharing accommodation in the coming years will see an increasingly competitive hospitality sector, particularly for lower range hotels.

There is however, scope for international branded, upmarket 5-star hotels/beach resorts, given the present limited supply.

The State government has targeted for 4.18 million visitor arrivals in 2020 in line with the Visit Malaysia Year 2020 campaign. Under the Sabah Budget 2020, RM237.61 million has been granted for various tourism initiatives.

SANDAKAN: TOURISM POTENTIAL

The hotel industry remained stable, dominated by budget hotels mostly located outside the city centre.

There will be potential for tourism growth in Sandakan with the commencement of direct flights from Bandar Seri Begawan, proposed international flights linking Sandakan and Tawau to China, South Korea and other ASEAN countries by Airasia in January-February 2020, and expansion of Sandakan Airport. Sandakan is also the gateway to Borneo's wildlife, through concerted government promotion.

TAWAU: ISLAND RESORT OF SEMPORNA

Tawau's performance in the hotel sector in 2019 continued to remain soft as reflected by low occupancy rates. Inbound tourists to Semporna is likely to outperform Tawau, driven mainly by arrivals from China. For 2019, most offshore island resorts in Semporna had registered 95% - 100% occupancy rates. The estimated daily tourists to Semporna is about 2,000 visitors.

There are eight new 2 - 4 star hotels currently under various stages of development in Semporna. The year also saw the launching of 3-star Grace Hotel in Semporna with 105 rooms. Seafeast Hotel & Suites, a newly launched 250-room, 4-Star hotel in Semporna, will attract more high-end tourists to this coastal town in the near future. Another hotel with 199 rooms at Bandar Kapalai Square will also be built in 2020.

OUTLOOK

The Sabah tourism sector remains nature and culture-driven. Apart from Kota Kinabalu, the majority of towns mainly cater for budget to 2-star hotels with limited higher-range hotels. Hotels in key tourism destinations such as Semporna recorded high occupancies whilst towns like Keningau, Tawau, Lahad Datu and Labuan remained stable with average occupancies ranging from 45% to 55%.

KUCHING: The hotel sector is stable and expected to perform better with 2019 designated as Visit Sarawak Year.

STEADY SUPPLY GOOD POTENTIAL

The overall hotel sector is expected to benefit from the Visit Sarawak Year 2019 campaign launched by the Ministry of Tourism. The state hopes to rake in RM 8.79 billion revenue from an anticipated five million visitors for 2019.

The star rated hotels in Kuching remained stable for 2019, with average room rates and occupancies remaining generally unchanged. Five star hotels have increased their room rates slightly whilst 3 star hotels' average room rates have dropped, possibly due to competition from lodgings by AirBnB offered by private individuals which are also convenient and easily accessible via social media platforms.

The annual Rainforest World Music Festival which is the biggest draw for tourists to Kuching every year continues to be bigger and better and is a huge boost to the average hotel occupancy rate.

The increased events and programs for Visit Sarawak Year 2019, such as WAK, Intercultural Mooncake Festival, Sarawak Regatta, Borneo Cultural Sporting Events, International Medical Congress, Adventure Challenge, Sarawak Heritage Food Festival etc., may turn into permanent attractions to benefit the hotel and tourism industry.

There were no addition of star rated hotels in 2019. However, 2019 saw the opening of Roxy Hotel Padungan, a 5-storey budget hotel, converted from old 2-storey shophouses at Jalan Padungan in the city centre, which offers 35 rooms.

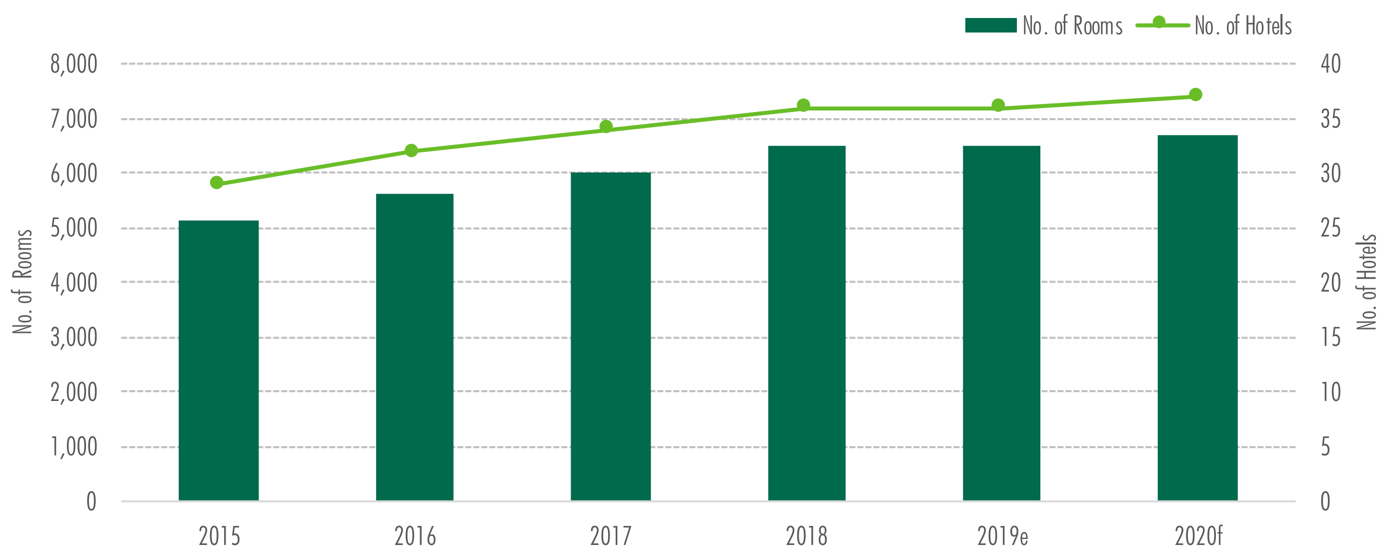
There is one hotel currently under construction, i.e. the 19-storey Promenade Hotel located in the CBD area, and due for completion by 2020.

MIRI: BRUNEI VISITORS

As the city closest to Brunei, Miri remained the top 5 most visited cities in Sarawak. Concentration of commercial activities will continue to influence the location preference of hotel operators and tourists. More than 70% of supply is located within the urban-city with at least 1 new hotel rated 3-star hotel coming yearly.

However, the most prevalent type of hotel in Miri is the 4-star hotel as it makes up to 55% of the total rooms supply. The continuous support from Brunei and business expats from the oil and gas sector will sustain the hotel industry in Miri.

HOTELS SUPPLY IN KUCHING



Source: WTWY Research.

BINTULU: PLENTIFUL SUPPLY

Bintulu's hotel market will remain satisfactory in the near term with the average occupancy rate hovering at about 50%. There was a newly completed hotel in Bintulu in 2019, namely Paragon Fairfield Marriot Hotel (238 rooms). The Nu Hotel (210 rooms) and Green Hotel (160 rooms) are hotels which came into the market in the past two years.

Under-construction hotels in Bintulu will contribute another 160 rooms within one to two years. Looking further ahead, 8 hotel projects in the pipeline are estimated to inject an additional 862 rooms into the market. By then, the anticipation is that the occupancy and room rates may be affected by competition.

SIBU: TOURISM POTENTIAL

Sibu's tourism industry has always been moderate, with demand and supply in balance over the years. However, there is growth potential for tourism in Sibu as it is the gateway to the Rejang River, the longest river in Malaysia.

Hotel investments in Sibu are mainly by local companies/businesses which prefer budget hotels to cater more to local business travelers. Incoming supply consists of a 10-storey budget hotel (144 rooms) and a 6-storey boutique hotel with 48-rooms, both located within the commercial areas around the Sibu Star Mega Mall and Hann Commercial Centre, respectively. Overall occupancy rates in Sibu remain around 60% with the average room rate from RM120 to RM170.

OUTLOOK

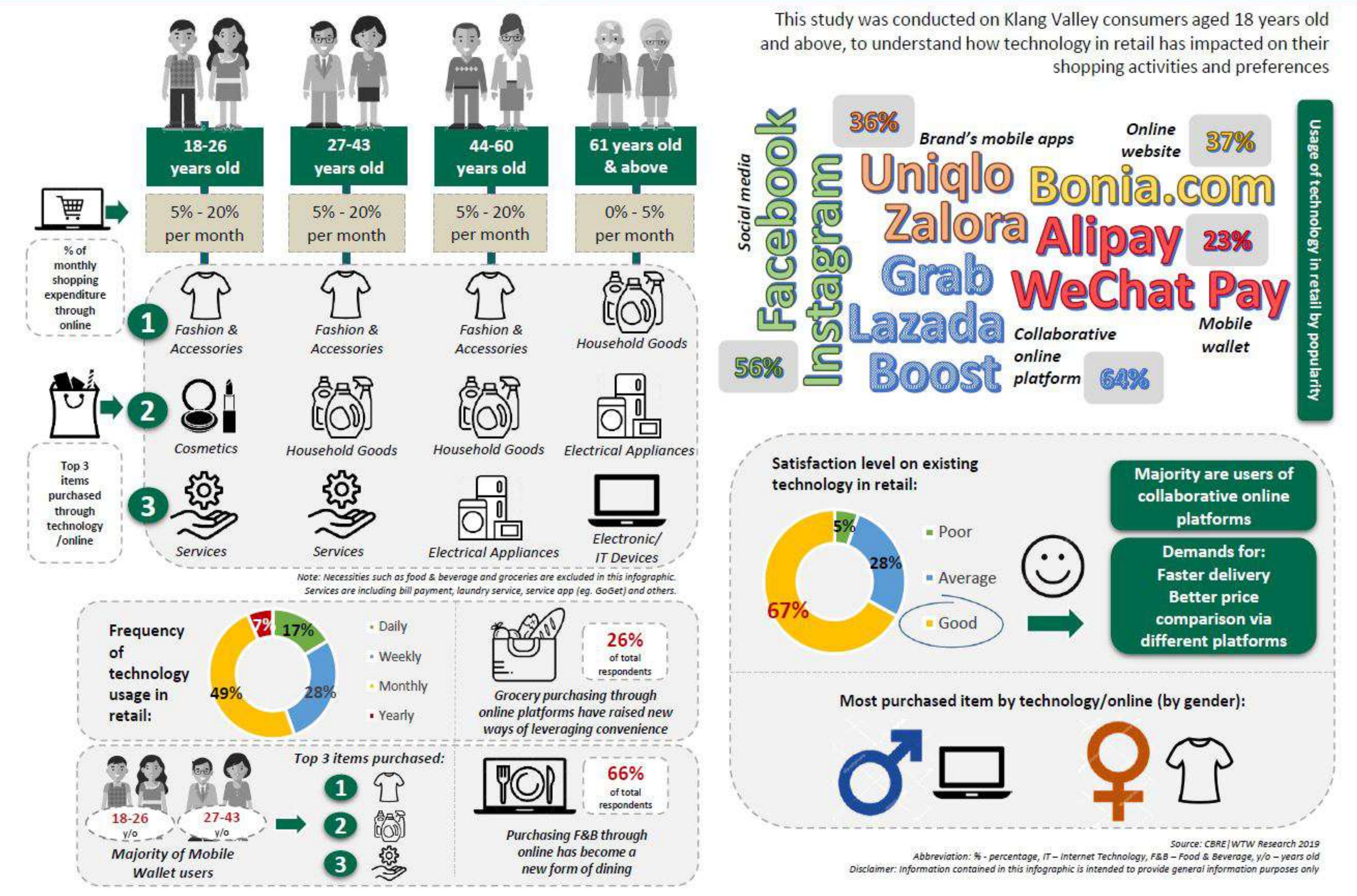
There was a 2.68% increase in tourist arrivals in the first five months of 2019 compared to the same period in 2018. Records showed that tourist arrivals was 1,797,634 from January to May this year and 1,750,640 for the corresponding period last year, 2018. Most of the arrivals are from Brunei, Indonesia and China. Sarawak's hotel industry is anticipated to remain stable.

This year is Visit Sarawak year, with the campaign promoting "Sarawak, More to Discover". Sarawak is on track of hitting its target of five million tourist arrivals by the end of 2019.

ROXY Hotel Padungan
Source: WTWY Research

FEATURE ARTICLES

Technology Impact in the Retail Sector



INDUSTRIAL - LOGISTICS MARKET

WHERE ARE THE OPPORTUNITIES AND WHAT LIES AHEAD ?

Shah Alam and Klang (including Kapar and Bukit Raja) play an important role in logistics and warehousing activities, strategically located between sea port, airports and city centres with great accessibility to major highways. To further encourage growth and development in the sector, attractive incentives are available for companies undertaking activities covering Maintenance, Repair and Overhaul (MRO), manufacturing and system integration for aerospace industry.

SHAH ALAM, KLANG, BUKIT RAJA REMAIN AS KEY WAREHOUSING SPOTS

- Notable international players and REITs portfolios i.e. AXIS, MapleTree
- Expansion of cargo handling capacity indicates potential demand for import/export/transshipment activities; i.e. Westport and P... Carey (planned) expansion.

MOVING FORWARD

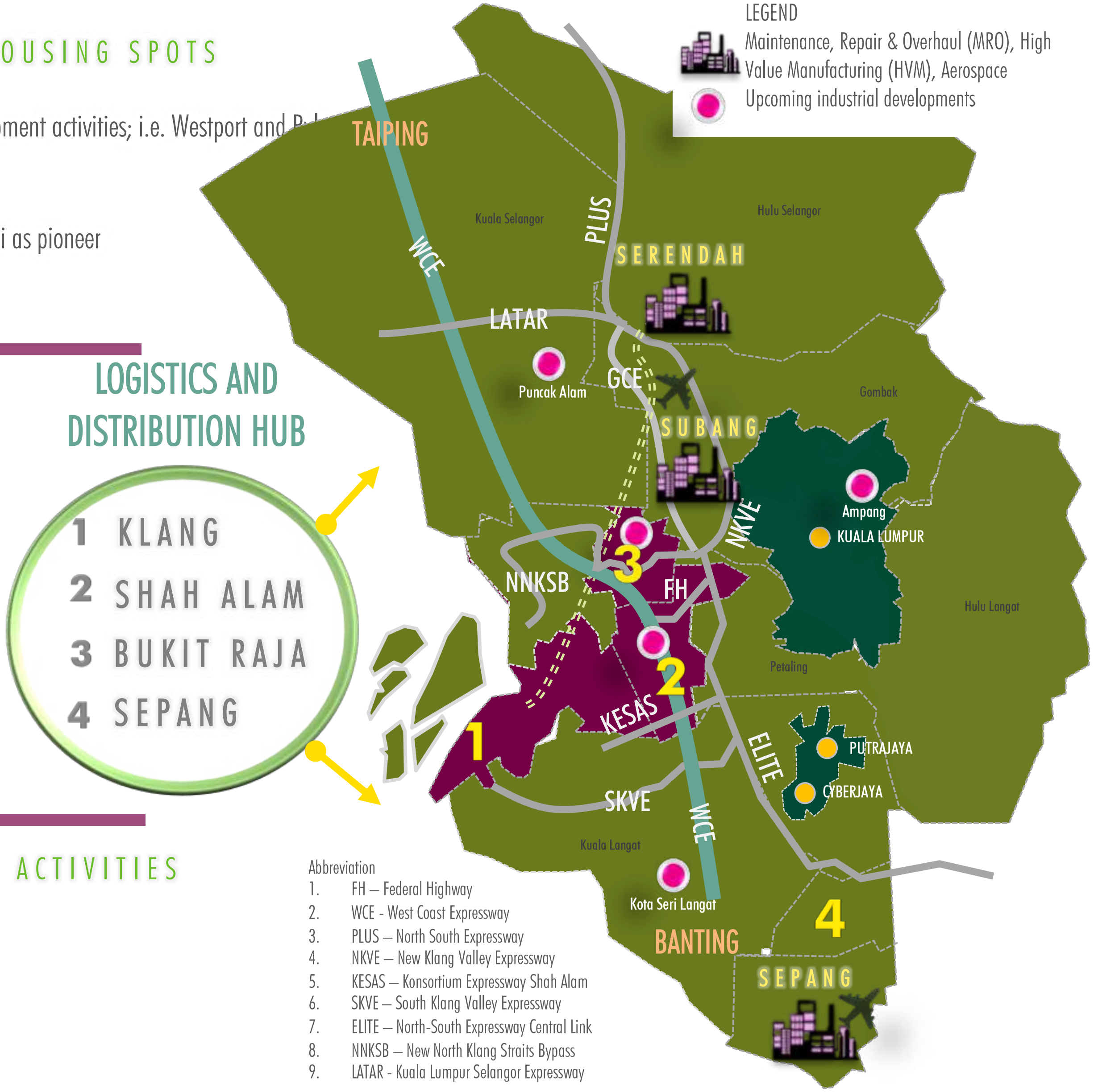
- Proposed Bukit Raja Industrial Gateway, a collaboration with Sime Darby Property and Mitsui as pioneer
- trend in industrial-based township development, positive spillover effects from WCE.

MRO/AEROSPACE/HVM MANUFACTURING INDUSTRIES WITH GROWTH POTENTIAL

- 3S (Serendah, Subang, Sepang) with notable players; i.e. Boeing, Airbus Rolls-Royce, MASkargo, Lazada.
- Creating up to 32,000 high-skill jobs.
- 40% land availability for local/international players/investors.

MOVING FORWARD

- Malaysia as the leading aerospace nation in South-East Asia (SEA) by 2030.
- Estimated 2,000 acres land identified to complement existing aerospace industrial areas.



Abbreviation
1. FH – Federal Highway
2. WCE - West Coast Expressway
3. PLUS – North South Expressway
4. NKVE – New Klang Valley Expressway
5. KESAS – Konsortium Expressway Shah Alam
6. SKVE – South Klang Valley Expressway
7. ELITE – North-South Expressway Central Link
8. NNKSB – New North Klang Straits Bypass
9. LATAR - Kuala Lumpur Selangor Expressway

PROPOSED CONNECTIVITY TO FURTHER IMPROVE MARKET ACTIVITIES

- WCE - Connecting to existing highways, i.e. NKVE, NNKSB, FH, SKVE, LATAR, KESAS.
- Serendah - Port Klang Rail Bypass to ease transportation of goods.

Source: Invest Selangor, MOT, MIDA, CBRE|WTW Research 2019.
Disclaimer: Information contained in this infographic is intended to provide general information purposes only

SIGNIFICANT TRANSACTIONS

MALAYSIA

DEVELOPMENT	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
KLANG VALLEY				
Royale Chulan Bukit Bintang	400-rooms hotel	Boustead Hotel and Resort SB	Hotel Royal Ltd	197,000,000
Wisma MPL	23-storey office complex, 19-storey office tower and four-storey retail podium	Malaysia Pacific Corporation	Asia New Venture Capital Holdings SB	189,000,000
Setiawangsa Land	13.61 acres land for mixed development to be known as SkySierra	Datuk Bandar Kuala Lumpur	SkySierra Development (owned by SkyWorld Development SB)	176,000,000
Pekan Baru Hicom – industrial land together with building	15.19 acres piece of freehold land	AESBI Power System Sdn Bhd (Advance Synergy Berhad)	Symphony Warehouse SB	124,000,000
Development land within Bandar Kundang	166.41 acres of land with potential for mixed development	Swan Lake City SB & Fair City SB	Scientex Park (M) SB (Scientex Berhad)	123,280,289
Development industrial land in Kapar, Klang	A parcel of land with total land area of 420.59 acre	Sime Darby Plantatiion Berhad	Eonmetall Land SB	155,727,468
Kapar industrial land	Freehold land with industrial premises	Leader Cable Industry Berhad	Maxter Glove Manufacturing SB	65,000,000
M Luna land located within Taman Metropolitan Kepong	Vacant land with development approval for service apartments.	JL99 Holdings SB	Vienna Home SB (subsidiary of Mah Sing Berhad)	94,764,144
Tune Hotel in Chow Kit	Refurbishment into two hotel brands	Tune Hotel SB	ECM Libra Financial Group Berhad	30,528,000
Development land located within Taman Meranti Jaya, Puchong	27.77 acres of freehold land	Prestige Ceramics Sdn Bhd (Johan Holdings Berhad)	Aspect Potential SB	127,000,000
Klang land located along Jalan Langat	6.54 acres commercial freehold land	CB Land SB (Crest Holding Berhad)	Gemilang Waras SB	55,000,000
NEGERI SEMBILAN				
Tampin Estate	738.62 acres of agriculture land	United Malacca Berhad	HLRB Broiler	51,703,400*
Pelin Estate	380.69 acres of agricultural land	United Malacca Berhad	HLRB Processing	26,647,985*
Bandar Sri Sendayan	168.62 acres of agricultural land	Anonymous	Matrix Concepts Holdings Berhad	73,451,181.90

* Transactions handled by CBRE | WTW

MALAYSIA

DEVELOPMENT	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
PENANG				
Development land at Simpang Ampat, Seberang Perai	27 lots of freehold land totalling approximately 209.54 acres.	TPPT SB	Mustiara SB (Subsidiary of Tambun Indah Land Berhad)	131,000,000
Development land at Tasek Gelugor, Seberang Perai	6 lots of freehold land totalling approximately 179.70 acres.	Palma Indah SB	Scientex (Skudai) SB	109,585,487
Development land at Tanjung Tokong (Bandar Tanjong Pinang, Penang Island)	Freehold land of approximately 2 acres.	Zenith Urban Development SB	Ivory Meadows SB (Subsidiary of Ivory Properties Group Berhad)	65,000,000
Development land at Paya Terubong, Penang Island	7 lots of freehold land of 29.046 acres.	Geo Valley SB	Aspen Park Hills SB	165,000,000
1st Avenue Mall at Georgetown, Penang Island	Shopping mall (Net Lettable Area: 407,076 square feet)	1st Avenue Mall SB	I Homes Properties SB (Ideal United Bintang International Berhad)	153,000,000
Industrial complex at Bayan Lepas Industrial Park, Penang Island	2.067 acres leasehold with unexpired term of 32 years	Zoomic Technology (M) SB	Axis – REIT	20,500,000
Vacant industrial land at Batu Kawan Industrial Park, Seberang Perai	30-year Lease land of 2.498 acres	Penang Development Corporation	Axis – REIT	3,916,479.60
Industrial complex at Kawasan Perusahaan Valdor, Seberang Perai	Freehold with a land area of approximately 12.625 acres	Dynaciate SPI SB (Subsidiary of Dynaciate Group Berhad)	M Gudang SB (Subsidiary of MMAG Holdings Berhad)	41,000,000
JOHOR BAHRU				
Development land located off Lebuhraya Sultan Iskandar	Freehold development land measuring 36.81 hectares, Mukim of Pulai, Johor Bahru.	Iskandar Waterfront Holdings SB	Ekovest Berhad	1,050,000,000
Development land in Masai	Freehold development land measuring 131.95 acres, Mukim of Plentong, Johor Bahru.	Malaysia Pacific Corporation Berhad	Amanahraya Development SB	115,000,000
Warehouse-cum-office building in Port of Tanjung Pelepas	Single-storey warehouse with a 3-storey office building and ancillary buildings with 8.18 acres land	Rancak Beta SB	Axis Real Estate Investment Trust	65,000,000

SIGNIFICANT TRANSACTIONS

MALAYSIA

DEVELOPMENT	DESCRIPTION	VENDOR	PURCHASER	TRANSACTION PRICE (RM)
JOHOR BAHRU				
Puteri Harbour Family Entertainment Centre, Marina Walk, Pergola Land & Somerset Puteri Harbour	Integrated commercial development	Themed Attractions Resorts & Hotels Group	UEM Sunrise Group	145,000,000
Nusajaya Tech Park	Four freehold detached factories with total land area of 2.13 hectares	Nusajaya Tech Park SB	Axis Real Estate Investment Trust	55,800,000
Bandar Baru Permas Jaya	Freehold commercial land of 10.6 acres in Mukim of Plentong, Johor Bahru.	Straits View Development SB	Khong Guan (M) SB	46,347,840
MELAKA				
Commercial land	Commercial land of 6 acres, Kota Syahbandar, Melaka	Sin Heng Chan (Malaya) Berhad	Sumber Setiamas SB	14,385,965
Estate land	Estate land (Masjid Tanah Estate) measuring 876.35 acres	United Malacca Berhad	Huat Lai Broiler Breeders SB	61,078,150 *
Estate land	Estate land (Selandar Estate) measuring 527.46 acres	United Malacca Berhad	Huat Lai Broiler Breeders SB	35,715,750 *
Development land	Development land measuring 15.81 acres along Jalan Pulau Gadong, Melaka	Petaling Garden SB	Faithview Ambience SB	6,200,000 *
Development land	Freehold development land of 11.169 acres, Mukim of Durian Tunggal, District of Alor Gajah, Melaka	Chin Huan Ngi	Sinmah Capital Berhad	7,297,824.60
Industrial land	Industrial land measuring 18.75 acres in Phase 3 Hicom Pegoh Park	Hicom Indungan SB	Xepa-Soul Pattinson (Malaysia) SB	20,418,750
Agricultural land	Agricultural land of 69.63 acres, Mukim of Bukit Lintang, District of Melaka Tengah, Melaka	Lee Seng Yean & Brothers SB	Jasa Idahmas SB	20,000,000
PAHANG				
Gebeng Industrial Area	48.24 acres industrial land with factories	Kinsteel Berhad & Harvard Vision SB	Top Gloss Sdn Bhd & APi Trengganu SB	50,785,609.70
Bandar Indera Mahkota	2.22 acres industrial land with warehouse	Panasonic Malaysia SB	SP Leveration SB	8,440,000
Rompin, Pahang	2,134 hectares oil palm plantation	Harn Len Corp Berhad	Far East Holdings Berhad	183,000,000.00

* Transactions handled by CBRE | WTW

OUR NETWORK

C H WILLIAMS TALHAR & WONG SDN BHD

1	30-01 30th Floor Menara Multi-Purpose 8 Jalan Munshi Abdullah P O Box 12157 50100 **KUALA LUMPUR** T : +(6 03) 2616 8888 F : +(6 03) 2616 8899 E : kualalumpur@cbre-wtw.com.my		**Foo Gee Jen,** Managing Director E : geejen.foo@cbre-wtw.com.my **Danny Yeo Soon Kee,** Deputy Managing Director E : danny.yeo@cbre-wtw.com.my **Aziah Mohd Yusoff PJK,** Director E : aziah.myusoff@cbre-wtw.com.my **Heng Kiang Hai,** Director E : kianghai.heng@cbre-wtw.com.my **Lim Chai Yin,** Director E : chaiyin.lim@cbre-wtw.com.my **Ungku Mohd Iskandar Ungku Ismail,** Director E : iskandar.ismail@cbre-wtw.com.my
2	1st Floor No. 71-B Lebuhraya Darulaman 05100 **ALOR SETAR** T : +(6 04) 730 3300 F : +(6 04) 730 2200 E : alorsetar@cbre-wtw.com.my **Peh Seng Yee,** Director E : sengyee.peh@cbre-wtw.com.my **Byson Lim Yong Choon,** Manager E : yongchoon.lim@cbre-wtw.com.my	6	Suite 15B Level 15 Menara Ansar 65 Jalan Trus P O Box 320 80000 **JOHOR BAHRU** T : +(6 07) 2243388 F : +(6 07) 224 9769 E : johorbahru@cbre-wtw.com.my **Mohd Talhar Abdul Rahman,** Non-Executive Chairman E : talhar.mohd@cbre-wtw.com.my **Tan Ka Leong,** Director E : kaleong.tan@cbre-wtw.com.my **Lo Kin Weng,** Director E : jonathan.lo@cbre-wtw.com.my
3	2nd Floor 37-4B Jalan Rahmat 83000 **BATU PAHAT** T : +(6 07) 434 6122 F : +(6 07) 431 6921 E : batupahat@cbre-wtw.com.my **Toh Heng Suan,** Officer-in-Charge E : hengsuan.toh@cbre-wtw.com.my	7	PT 1185 Level 2 Jalan Kebun Sultan 15350 **KOTA BHARU** T : +(6 09) 748 7070 F : +(6 09) 744 7545 E : kotabharu@cbre-wtw.com.my **Muhd Kamal Mohamed,** Director E : kamal.mohamed@cbre-wtw.com.my
4	D-1-3 & D-1-5 SOHO Ipoh 2 Jalan Sultan Idris Shah P O Box 562 30760 **IPOH** T : +(6 05) 246 1133 F : +(6 05) 246 1313 E : ipoh@cbre-wtw.com.my **Khor Seong Wah,** Assistant Manager E : seongwah.khor@cbre-wtw.com.my	8	4th Floor 98 Jalan Banggol 20100 **KUALA TERENGGANU** T : +(6 09) 626 2760 F : +(6 09) 622 2788 E : kualaterengganu@cbre-wtw.com.my **Muhd Kamal Mohamed,** Director E : kamal.mohamed@cbre-wtw.com.my
5	No 178 Jalan Merdeka Taman Melaka Raya 75000 **MELAKA** T : +(6 06) 281 2288 F : +(6 06) 284 6399 E : malacca@cbre-wtw.com.my **Teh Hong Chua,** Senior Branch Manager E : hongchua.teh@cbre-wtw.com.my	9	5th Floor Bangunan HSBC Bank Jalan Mahkota 25000 **KUANTAN** T : +(6 09) 515 0000 F : +(6 09) 514 5793 E : kuantan@cbre-wtw.com.my **Lok Siew Mei,** Assistant Manager - Transactional Services E : siewmei.lok@cbre-wtw.com.my

C H WILLIAMS TALHAR & WONG SDN BHD

10	Suite 2.7 Level 2 Wisma Great Eastern No 25 Lebuh Light 10200 **PENANG** T : +(6 04) 263 3377 F : +(6 04) 263 0359 E : penang@cbre-wtw.com.my **Peh Seng Yee,** Director E : sengyee.peh@cbre-wtw.com.my **Tan Chean Hwa,** Associate Director E : cheanhwa.tan@cbre-wtw.com.my	12	Lot 4981 Tingkat 3 Jalan Dato' Sheikh Ahmad P O Box No 190 70710 **SEREMBAN** T : +(6 06) 765 3355 F : +(6 06) 765 3360 E : seremban@cbre-wtw.com.my **Teh Hong Chua,** Senior Branch Manager E : hongchua.teh@cbre-wtw.com.my
11	No 2A & 4A Jalan 52/18 Merdeka Square Section 52 46200 **PETALING JAYA** T : +(6 03) 7955 1818 F : +(6 03) 7957 8049 E : petalingjaya@cbre-wtw.com.my **Leor Chin Ki Fatt,** Assistant Manager E : leor.chin@cbre-wtw.com.my		

C H WILLIAMS TALHAR & WONG (SABAH) SDN BHD

13	2nd Floor Menara MBf 1 Jalan Sagunting P O Box 14414 88850 **KOTA KINABALU** T : 088-248 801 F : 088-230 826 E : kotakinabalu@wtw.com.my		**Leong Shin Yau,** Managing Director E : syleong@wtw.com.my syleong8@gmail.com **Cornelius Koh,** Director E : ckoh@wtw.com.my ckhoh1955@yahoo.com **Chong Fui Mei (Karis),** Director E : karischong@wtw.com.my kc5796@gmail.com **Benjamin Mu Vi Ken,** Director E : benjaminmu@wtwskk.com **Lee Siew Ngoh (Agnes),** Director E : agneslee@wtwskk.com alsn7448@gmail.com **Chan Mon Hueg @ Moon,** Associate Director E : chanmonhueg@wtwskk.com **Harry William Koh,** Registered Valuer E : harrykoh@wtwskk.com
14	1st Floor Wisma Chee Sing No 48 Jalan Bunga Kenaga P O Box 82229 87032 **LABUAN** T : 087-416 341 F : 087-416 342 E : labuan@wtw.com.my **Chong Fui Mei (Karis),** Director E : karischong@wtw.com.my kc5796@gmail.com	15	2nd Floor, Lot 2, Block A RHB Bank Building Metro Commercial Centre, Jalan Kiambang P O Box 60600 91115 **LAHAD DATU** T : 089-882 393 F : 089-885 088 E : lahaddatu@wtw.com.my **Leong Shin Yau,** Managing Director E : syleong@wtw.com.my syleong8@gmail.com

C H WILLIAMS TALHAR & WONG (SABAH) SDN BHD

16
Rooms 605-608 6th Floor
Wisma Khoo Siak Chiew
90000 **SANDAKAN**
T : 089-217 025
F : 089-272 850
E : sandakan@wtw.com.my

Benjamin Mu Vi Ken, Director
E : benjaminmu@wtwskk.com

Robin Chung York Bin, Consultant
E : rchung@wtw.com.my

18
305 (1st Floor) Leong Hua Building
Dunlop Street
P O Box 60394
91013 **TAWAU**
T : 089-774 349
F : 089-762 287
E : tawau@wtw.com.my

Chan Mon Hueg @ Moon, Associate Director
E : chanmonhueg@wtwskk.com

Desmond Liew, Manager
E : desmond@wtw.com.my

17
Lot 11, 1st Floor
Suria Shopping Centre
Jalan Masak 89000 **KENINGAU**
T : 087-336 803
F : 087-338 803
E : keningau@wtw.com.my

Harry William Koh, Registered Valuer
E : harrykoh@wtwskk.com

C H WILLIAMS TALHAR WONG & YEO SDN BHD

19
No 26 (1st Floor) Lot 352 Section 54
Wisma Nation Horizon
Jalan Petanak
93100 **KUCHING**
T : 082-231 331
F : 082-231 991
E : kuching@wtwy.com

Yip Phooi Leng, Director
E : ypl@wtwy.com

21
Lot 1139
Miri Waterfront Commercial Centre
P O Box 1121
98008 **MIRI**
T : 085-432 821
F : 085-411 786
E : miri@wtwy.com

Ting Kang Sung (Robert), Managing Director
E : rting@wtwy.com

20
Sublot 54 (Lot 4229) 1st Floor
Parkcity Commerce Square Ph 6
Jalan Tun Ahmad Zaidi
97000 **BINTULU**
T : 086-335 531
F : 086-335 964
E : bintulu@wtwy.com

Henry Yeo Hap Soon, Director

Jeffrey Pui Zen Thung, Director
E : jeffreypui@wtwy.com

22
No 10C (First Floor)
Jalan Kampung Datu
96000 **SIBU**
T : 084-319 396
F : 084-320 415
E : sibu@wtwy.com

Hii Wei Jin, Director
E : hiiwj@wtwy.com

C H Williams Talhar & Wong (B) Sdn Bhd

23
Unit No 18, 1st Floor
Jaya Setia Square
Simpang 13
Kampung Setia Jaya Bandar Seri Begawan
Bandar Seri Begawan BB2713
NEGARA BRUNEI DARUSSALAM
T : 673-2228 050
F : 673-2234 695
E : wtwb@brunet.bn

Kathy Lim, Director

CONTACTS

ABOUT THIS REPORT

Aziah Mohd Yusoff PJK
Director, CBRE | WTW
aziah.myusoff@cbre-wtw.com.my

Peh Seng Yee
Director, CBRE | WTW
sengyee.peh@cbre-wtw.com.my

Tan Ka Leong
Director, CBRE | WTW
kaleong.tan@cbre-wtw.com.my

Leong Shin Yau
Managing Director, WTWS
syleong@wtw.com.my

Robert Ting Kang Sung
Managing Director, WTWS
rting@wtwy.com

Michael Chai
Manager – Research & Consultancy, CBRE | WTW
michael.chai@cbre-wtw.com.my

GLOBAL RESEARCH LEADERSHIP

Richard Barkham, Ph.D., MRICS
Global Chief Economist
richard.barkham@cbre.com

Neil Blake, Ph.D.
Global Head of Forecasting and Analytics
EMEA Chief Economist
neil.blake@cbre.com

Jos Tromp
Head of Research, EMEA
jos.tromp@cbre.com

Spencer Levy
Head of Research, Americas
spencer.levy@cbre.com

Henry Chin, Ph.D
Head of Research, Asia Pacific
henry.chin@cbre.com.hk

FOLLOW CBRE | WTW

Published by
C H Williams Talhar & Wong Sdn Bhd 197401001098 (18149-U)
CBRE | WTW Kuala Lumpur, Malaysia.
December 2019

Printed by:
Maziza Sdn Bhd
9 Jalan Helang Sewah
52100 Kepong Baru, Kuala Lumpur

This report was prepared by the CBRE | WTW Malaysia Research Team, which forms part of CBRE Research – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate investors and occupiers around the globe.

Additional copies may be downloaded from our website www.cbre-wtw.com.my
To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/research-and-reports

30-01, 30th Floor, Menara Multi-Purpose, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia
Tel: 03-2616 8888 Fax: 03-2616 8899
www.cbre-wtw.com.my

KDN No. PP9013/07/2012 (030726)